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INVESTIGATION OF IMPROPER ACTIVITIES IN THE
LABOR OR MANAGEMENT FIELD

HEARINGS
BEFORE THE
SELECT COMMITTEE
ON IMPROPER ACTIVITIES IN THE
LABOR OR MANAGEMENT FIELD
EIGHTY-FIFTH CONGRESS
SECOND SESSION

PURSUANT TO SENATE RESOLUTIONS 74 AND 221, 85TH CONGRESS

APRIL 23, MAY 6, 7, 8, AND 9, 1958

PART 28

Printed for the use of the Select Committee on Improper Activities in the
Labor or Management Field



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**SELECT COMMITTEE ON IMPROPER ACTIVITIES IN THE LABOR OR
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INVESTIGATION OF IMPROPER ACTIVITIES IN THE LABOR OR MANAGEMENT FIELD

WEDNESDAY, APRIL 23, 1958

UNITED STATES SENATE,
SELECT COMMITTEE ON IMPROPER ACTIVITIES,
IN THE LABOR OR MANAGEMENT FIELD,
Washington, D. C.

The select committee met at 10:30 a. m., pursuant to Senate Resolution 221, agreed to January 29, 1958, in room 357, Senate Office Building, Senator John L. McClellan (chairman of the select committee) presiding.

Present: Senator John L. McClellan, Democrat, Arkansas; Senator Sam J. Ervin, Jr., Democrat, North Carolina; Senator Barry Goldwater, Republican, Arizona; Senator Frank Church, Democrat, Idaho.

Also present: Robert F. Kennedy, chief counsel; Jerome S. Adlerman, assistant chief counsel; John B. Flanagan, investigator; Leo C. Nulty, investigator; Herbert J. Rose, Jr., investigator; Ralph DeCarlo, investigator; Ruth Young Watt, chief clerk.

(Members of the committee present at the convening of the session were: Senators McClellan, Church, and Goldwater.)

The CHAIRMAN. The committee will be in order.

We are very happy to welcome this morning a new member of the committee, Senator Church of Idaho, who has been appointed by the Vice President to succeed Senator McNamara who resigned recently.

Senator McNamara was rather faithful in attending the meetings of the committee and it was a great pleasure to work with him.

While he and the Chair did not always agree upon some matters, our relations were very pleasant and it was a genuine privilege to be associated with him in this very important work this committee is doing.

Senator Church is one of the youngest members of the Senate, both in age and also in point of service. In the brief time he has been in the Senate, he has demonstrated a capacity for work and a capacity for understanding and helping to solve and resolve the great problems that confront us as a Government and as a free country today.

Senator Church, on behalf of each member of the committee, and all members of the staff, we welcome you. You will soon find that there is plenty of work for all of us to do. I know you are going to be occupied.

We are surely glad to have you.

Senator CHURCH. Thank you very much.

The CHAIRMAN. All right, Mr. Kennedy, call the next witness.

Mr. KENNEDY. Mr. Carroll has requested permission to address the Chair.

STATEMENT OF JOHN ROGERS CARROLL

Mr. CARROLL. With your permission, Mr. Chairman—

The CHAIRMAN. To keep the record straight, and I am not doing this to cast any reflection in any way, but Mr. Carroll has been sworn, and at times has testified and now what is your choice?

Mr. CARROLL. I am not going to state any facts relating to this.

The CHAIRMAN. This may be regarded in the record as a statement of counsel.

Mr. CARROLL. May I say first that having been here for nearly a week and a half, I feel like an old hand, and I join in the chairman's welcome to Senator Church.

I agree with the chairman entirely that this committee is doing very important work, and that Senator Church on this committee will have much important work to do.

As the committee is no doubt aware from the press, considerable publicity has been given to the problem of my simultaneous representation of Local 107 of the Teamsters Union and some of its officers, business agents, and members who have been subpoenaed here as witnesses.

Up until now I have acted in accordance with an opinion rendered by the professional guidance committee of the Philadelphia Bar Association on the 17th of March which said that that simultaneous representation was proper.

As the Chair is undoubtedly aware, the committee met again yesterday afternoon and has issued another opinion.

I have, and I would like with the Chair's permission, to read into the record the text of that opinion.

The CHAIRMAN. Counsel has previously read into the record at the request of a member of the committee, I believe, the original ruling of the committee to which he refers, and which sustained his position that there was no impropriety in his character of representation and the clients he was representing here.

Questions arose during the development of testimony, however, that possibly threw a different light on it to that which the committee of the Bar Association of Philadelphia had understood the facts to be at the time they rendered the first decision.

Afterward, it was quite proper, I think, for Mr. Carroll now to read into the record the opinion of this committee as of yesterday.

Mr. CARROLL. Thank you, sir. I might preface it with this brief statement, that I have been, from the time I was admitted to the bar, a member of the Philadelphia Bar Association, and I am very proud to be.

We asked their guidance on this, and I agreed in advance to be bound by what they said. I intend to continue that because although we are not always in agreement, we believe in Philadelphia in reasonable disagreements of opinion.

Therefore, now that the committee has, I may say, changed its mind, I have agreed to abide by it, and I intend to abide by what they have decided. Their opinion reads as follows:

In our opinion to you of March 11, 1958, we stated in the concluding paragraph the following:

"While the attorney at this stage of the proceedings is free to, and, indeed, must, presume his client innocent, recent experience indicates that evidence

before the committee may show improper actions on the part of the officers of a union. Such evidence may give rise to an actual conflict of interest between the union and its officers."

We have examined the notes of the sworn testimony before the United States Senate Select Committee on Improper Activities in the Labor or Management Field—

I may say parenthetically that those notes I provided to the committee myself—

which indicate that a conflict of interest may arise between the particular labor union under investigation and certain of its members, both of whom you represent.

In the authoritative work on the ethics of the legal profession, *Legal Ethics*, by Henry S. Drinker, Esq., of the Philadelphia bar, the author, in discussing canon VI of the Canons of Professional Ethics of the American Bar Association, which is the canon under consideration, states :

and the committee quotes :

"In observing the admonition of canon VI to avoid the representation of conflicting interest, the lawyer must have in mind not only the avoidance of a relation which will obviously and presently involve the duty to contend for one client what his duty to the other presently requires him to oppose, but also the probability or possibility that such a conflict may arise.

"In such cases, as will later be pointed out, even though the clients both consent to the assumption of the relation, the lawyer may eventually regret that he did not initially refuse to take the case.

"The appearance of a lawyer on both sides of the same controversy, particularly in cases of some notoriety"—

and I need not say that this is such a case—

"will often give an impression to the public which is most unfortunate for the reputation of the bar, and which, of itself, should be decisive.

"The temptation to get into an interesting, important, or profitable case is always alluring, and the lawyer is very prone to rationalize himself to the belief that he will be able to steer safely between Scylla and Charybdis, when sober reflection or discussion with his partners would bid him pause.

"Where there is any serious doubt, it should be resolved by declining the second retainer. He should avoid not only situations where a conflict of interest is actually presented, but also those in which a conflict is likely to develop."

It is our unanimous opinion that you are now in a situation where you cannot represent both the labor union and the members involved in the pending senatorial proceeding.

It is signed, J. Wesley Williams, chairman of the professional guidance committee, and Walter E. Alessandrini, chancellor of the Philadelphia Bar Association.

May I say that this was taken over the telephone in the early hours this morning, and my transcript of it may not be the exact words of the committee.

I noticed as I was reading through it that there were a couple of grammatical errors, and please charge them to me and not to the bar association's committee.

That is the gist of their opinion, sir, and now I should add the following : In this morning's newspaper it was reported that my partners, one of whom you gentlemen have met, or at least you, Senator McClellan, advised me to believe they did—

I would like to place in the record the telegram which they sent to me, with your permission, sir.

The CHAIRMAN. Without objection, the telegram may be read into the record.

Mr. CARROLL. It is addressed to John Rogers Carroll, Willard Hotel, Washington, D. C., and it reads as follows:

The guidance committee just ruled we are now in a situation we cannot represent both local 107 and the members involved in the pending senatorial proceeding.

As a result of this change in the guidance we have requested, we direct you to appear before the Senate committee at the first opportunity and tell them of the ruling of the guidance committee and ask them to postpone the interrogation of all our clients for a reasonable period of time so that they may engage new counsel and so that new counsel may read the record, be brought up to date by you, and consult with the clients.

If the postponements are granted, withdraw entirely from these proceedings at once on behalf of any interest whatever. If the postponements are not granted, continue to represent our clients until new counsel has been engaged and ask them to engage new counsel at once.

MICHAEL VON MOSCHZISKER and RAYMOND J. BRADLEY.

Subsequent to the receipt of that telegram, I held conferences with my clients, with my partners, and with other members of the bar whose advice I respect. The sum total of all of that advice is the following decision: That our firm has, as of today, and in fact about an hour ago, perhaps a little less, decided and communicated to local 107 of the Teamsters Union that we will not represent them any further; that I have decided that I will continue to represent such of the witnesses before this committee who have asked me to represent them.

They have retained me on a personal basis, and no union funds will be received by me, and I will not in any respect represent local 107 in any further matter before this committee.

There are only three people who have, as of now, asked me to represent them before this committee. They are Raymond Cohen, Edward Walker, and Arthur Brown. They are the only people I will now represent.

They have asked me personally and on a personal basis to represent them. I will do so.

I want the entire committee to understand that our firm this morning, not without serious consideration, has decided that we will not represent local 107 any further in anything.

This morning Mr. Bradley, who has entered an appearance in the Court of Appeals for the Third Circuit on behalf of local 107 in the National Labor Relations Board matter, is withdrawing his appearance.

I have entered an appearance for local 107 in the District Court of the District of Columbia in a suit against this committee to get back its books and records. I will, this afternoon or immediately when I am free, withdraw that appearance on behalf of local 107.

We are not representing local 107 any more. Are there any questions?

The CHAIRMAN. When you say local 107, do you mean to include its officers who are under investigation?

Mr. CARROLL. I think I have said, sir, that Mr. Cohen, Mr. Walker, and Mr. Brown—

The CHAIRMAN. What position do they hold?

Mr. CARROLL. Mr. Cohen, as you know, is secretary-treasurer. Mr. Walker is recording secretary. I am not certain of Mr. Brown's position. I think he is a member. I will be able to tell you better—

The CHAIRMAN. Mr. Cohen, Mr. Walker, and Mr. Brown?

Mr. CARROLL. Yes, sir. They are the only three people whom I previously represented, who remain under subpena. They hold positions in the union, but I am not representing them as union counsel. I no longer represent this union.

The CHAIRMAN. Are there any observations by any member of the committee?

Senator GOLDWATER. Mr. Chairman?

The CHAIRMAN. Senator Goldwater.

Senator GOLDWATER. In view of this development, where a question was raised as to the propriety of a lawyer being retained to defend the union with union dues, can we expect a similar ruling in the future when this conflict of interest occurs? It would be reasonable to expect that.

The CHAIRMAN. You mean a ruling from whom, Senator?

Senator GOLDWATER. I would ask the Chair's opinion as to the possibility of a ruling like that when we have conflict of interest in the future as we have had in the past.

The CHAIRMAN. Each case, of course, would have to stand upon its own merits or lack of merits, as the facts are developed. It is difficult for the Chair to make a ruling in advance. Primarily, the matter would address itself to the bar association. Some would charge it would be an arbitrary ruling for the Chair just to rule that a lawyer who has appeared under the circumstances that Mr. Carroll has appeared was ineligible to represent his clients before this committee.

The Chair has tried not to do that. It is something that should address itself first to the conscience of the attorney. He should know whether he is engaged in a conflict of interest. It would have to defer, to a very great extent, to the conviction, to the conscience, of the attorney who appears.

As this hearing progressed, it became evident to me, at least, that there was a conflict of interest or the strong probability of it.

In fact, I thought it was inescapable that it did exist. You can appreciate, however, that to rule that way and simply to bar an attorney meant delay. I explained once before that I was proceeding and letting the attorneys continue in order to try to expedite these hearings. Such a development as this will obviously make this hearing more expensive. With respect to some of our proceedings, at least, we will have to defer them. There is also a criminal case pending in New York that is involved in this deferment.

That has been adjusted so that this committee might proceed. It might take a further readjustment in that or some other readjustment on the part of the committee. We have proceeded, and I don't think any serious harm has been done by our continuing to proceed. Again I say the burden of the propriety or impropriety of it rests primarily with counsel himself and, second, with the bar association when they have knowledge and information of it. I will say this about counsel in this instance, obviously he acted in good faith in the beginning when he requested his bar association committee having jurisdiction of this matter to pass judgment on it.

Whether they fully understood and appreciated then what has developed since, I do not know. Very likely they did not. But as the revelations were made by this committee, and facts were developed, it became pretty obvious to the chairman that there was definitely a

conflict of interest, or such a strong probability of one that any attorney who continued to represent the two interests, as I see them, was certainly in a precarious position.

I think you acted wisely, Mr. Counsel, and your firm has acted wisely, by withdrawing from some of these clients, particularly the union. You can make your choice to represent the union and not represent these other individuals who are members of the union, and whose interests definitely are involved if the facts that have been developed before this committee are correct, that these funds have been misused.

Certainly, their interests are not the same as the interests of the union officials who possibly have misused the funds.

There obviously is a conflict. I can't pass on hypothetical cases. We will have to wait until they arrive. Even if the Chair made a decision, the committee could overrule him if they thought him wrong. Of course, any member of the committee can raise a question at any time when any facts or anything transpires which give the appearance of a conflict of interest of attorneys appearing before the committee.

(At this point Senator Church withdrew from the hearing room.)

The CHAIRMAN. Senator Goldwater?

Senator GOLDWATER. Mr. Chairman, I am not concerned particularly with this instance, but in the past, and I suppose in the future, we will find lawyers who are defending either the union or members of the union, of these misdeeds, who are being paid out of union funds. That is my interest in the case. Not being a lawyer, a conflict of interest is a rather difficult thing for a layman to define. I do definitely feel that no union has the right to spend dues money to defend its members of the charges that are being made here. I did want to comment, though, if the Chair will indulge me just a moment or two.

I sat yesterday afternoon, very interested in the colloquy between Senator Curtis and Senator Kennedy and Mr. Carroll.

I felt that there was some question of ethics in approaching a prospective client in the halls of Congress. I had thought, along with the chairman and Senator Kennedy, that there was a conflict of interest in this case. But in listening to both Senator Curtis and Senator Kennedy yesterday afternoon, and in reading the transcript this morning—and I don't say this to discredit or disparage either one—it sounded to me like a lawyer was being given a little bit of a chastisement for defendant for defending his client. It has always been my conception of American law that someone has to defend. Again I say I am sure that was not the intent of either of the Senators, but it is the language of the record, and it was carried in some of the press in that way.

If we are to question the lawyer's motives in defending a client or taking a case, then I think we do harm to the lawyer.

I hope I never get in the position of having to not plead guilty when I am guilty, but if that ever comes, I want a good lawyer around, and I expect to find one. I just wanted to bring that up because I couldn't quite agree with the language that was used yesterday.

I think Mr. Carroll, again from the layman's standpoint, has done a good job in representing these people whom I, along with the committee, feel to be guilty of the worst kind of crimes against the union

movement. But, again, guilty or not guilty, I think Americans are entitled to a fair trial, if this be a trial.

The CHAIRMAN. Are there any other comments?

Mr. CARROLL. May I say just one or two things, sir?

First of all, thank you, Senator Goldwater. I appreciate your comments. As you know from yesterday's testimony, I was not present at that supposed incident between Mr. Markowitz and Mr. Keenan.

However, as between the two versions of it, if there is any substantial difference, I have no doubt that I believe Mr. Markowitz, and I believe he acted entirely properly. I appreciate, too, your suggestion that it might harm the lawyers to have this sort of apparent public chastisement. I am more concerned, sir, that it does harm to the principle of the sixth amendment, which guarantees the right to counsel.

I think that on that account, what you have said is important.

I would say just one or two other things. Mr. Chairman, you and I have had our differences of opinion this week, both as to what the evidence has shown and as to what we have been doing. I have no doubt that we may continue to have such differences. As I previously said, I come from a city where reasonable men can always disagree, and I think that democracy thrives on it. I think you would probably get pretty bored with these hearings if there weren't some disagreements. I think I would, too.

Secondly, you did, in your last statement, raise some question, or at least it seemed so to me, as to whether the bar association committee was fully apprised at the time we asked for their guidance, of what was likely to be proved.

(At this point, Senator Ervin entered the hearing room.)

Mr. CARROLL. I don't want to be repetitious about this thing, but I did read into the record the other day the opinion of that committee, which shows, and I will just read these 3 or 4 words from it—

The CHAIRMAN. I think I can save the counsel on that.

I made no charge of the counsel. As I said, I think you acted in good faith in presenting it. But I think it would be even difficult for me in the beginning of a hearing of this nature, to be able to lay all of the facts before a committee like that, as the facts might later develop.

Mr. CARROLL. Yes, sir, but I want this one fact to be clear, that the committee's opinion recites that I told them that—

Counsel has been advised by counsel for said committee that the committee proposes to prove in such hearings that all officers and business agents of the union have been guilty of defalcations regarding the union's funds.

That is what your counsel or assistant counsel advised me and I told the committee in advance everything that I then knew from you.

The CHAIRMAN. I thought I said a moment ago I thought you acted in good faith. I thought I said that.

Mr. CARROLL. You did, sir, but you also put a little aside in there which seemed to say that maybe I hadn't told them everything.

The CHAIRMAN. I don't know how the record reads, and I will change it if this will clarify it, but I don't see how a committee, before the hearings actually begin, can know what may develop.

I am not chastising the committee. But based on the developments now, I think the committee has acted properly. That is my view. As

I said a moment ago, these things first address themselves to the conscience and judgment of the attorney himself.

Mr. CARROLL. Yes, sir. I would like to say just one thing about that, that my conscience is entirely clear and has been throughout. I trust it will continue to be. I would like to say that the committee has found not an actual conflict, but as their opinion states, as I read it to you a few minutes ago, this is a situation in which a conflict may arise—a potential, not an actual conflict of interest. I do not say, sir, that I agree with the opinion of the Philadelphia Bar Association committee. I do say, however, that as a member of that bar association, and having great respect for the judgments of the association and this particular committee, I have agreed to abide by the decision.

I have made the decision on that basis. I thank you for hearing me.

Mr. KENNEDY. Could I make a statement?

Mr. MARKOWITZ. Mr. Chairman?

Mr. KENNEDY. I think that, as was stated yesterday, the key part of this question was not these attorneys defending Mr. Cohen or any of these other individuals who were accused of taking money, or where there was evidence of forgery or any of these other matters. This was a question of these attorneys being paid out of union funds, and, at the same time, appearing with these witnesses who invoke the fifth amendment where there was evidence and where there was testimony before the committee showing alterations in the records of the union, where there was evidence and information showing forgeries, where there was evidence and information concerning wholesale misuse of union funds.

This was the key point. I think that Senator Kennedy and Senator Curtis yesterday raised those questions.

Nevertheless, in spite of that evidence for a week, where these facts were developed, these two attorneys attended a meeting on Sunday of the union, on behalf of Mr. Cohen, made a speech to the membership, and did not disclose any of this information or any of this evidence that was presented before the committee.

We are not critical of Mr. Cohen or any of the other officials who attended the meeting at all. But the attorneys then received a \$1,000 increase in salary. There was a question of the propriety of that. I think Senator Curtis, Senator Kennedy, and some of the other members of the committee support the position that has been taken by the Philadelphia bar.

Senator GOLDWATER. I agree with you, Mr. Kennedy, completely, in everything that you said. I pointed out that the transcript reads, and that sounded to me as a layman yesterday, in spite of all of those accusations—and I agree with them—that we were criticizing the right of a man to have counsel. Whether the counsel is right or wrong or acts with propriety in or out of here didn't enter into that part of my discussion. I wanted the record to show that if that was the attempt, and I don't think it was, it is not the duty nor the prerogative of the committee to criticize anybody for having legal advice.

Mr. KENNEDY. I would like to point out, for instance, that even Dave Beck, and certainly we had a great deal of information regarding him, even Dave Beck had the propriety and judgment to go out and get an outside attorney when he appeared before the committee.

Senator GOLDWATER. I remember his name.

Mr. CARROLL. May I say one thing in response to Mr. Kennedy?

Senator ERVIN. Mr. Chairman, I want to say something. I have always hesitated——

Mr. CARROLL. I haven't noticed that.

Senator ERVIN. I have always hesitated to judge my fellow travelers to the tomb. I have had very little to say.

But one thing is so obvious in this pattern that it can't be erased. Here the committee has been trying to investigate whether or not those who have been controlling this union, this particular local, have been raiding the union treasury, and we see here in the glare of the noonday sun in this hearing, before this committee, that those who control this union are using the union funds to prevent it being determined whether or not they have raided the union treasury and to what extent. To my mind, no amount of argument or anything else can erase the plain fact that that is a gross misuse of union funds, and that persons who would countenance it are not fit to occupy positions of authority over other human beings.

The CHAIRMAN. Are there any other questions?

Mr. CARROLL. Senator Ervin, I think you were not here when I announced that, in accordance with the opinion of yesterday afternoon of the bar association, our firm has withdrawn as counsel for the union. I no longer represent this union. I am not being paid by union funds.

I would say one thing in response to you, Mr. Kennedy.

I think Senator Goldwater has already said it. It will be a sad day for the right to counsel when the union's lawyers can't attend a regular union meeting and speak freely. So far as the mention of the \$1,000 raise is concerned, it is now and forever gone.

Mr. KENNEDY. I am glad to hear that.

Senator ERVIN. There is nobody that would defend the right of counsel to appear more than I. My father was a lawyer for 65 years. I spent most of my life in the law rather than in politics. My only son is a lawyer. I respect the right of everybody to have counsel. I think it is essential to the ascertainment of truth. But, frankly, I cannot understand how it can conform to ethical principles for lawyers to occupy inconsistent positions.

I can't reconcile it with ethics for a lawyer to appear for a union or for union officers at union compensation, to prevent the disclosure of what the officers of the union have been doing to the detriment of the dues-paying members.

I just can't reconcile that. No man can serve two masters. Life shows that, and the law shows it.

I just can't reconcile using union funds to prevent the disclosure of truth as to whether or not union officers have been raiding the union treasury.

Mr. CARROLL. Senator, on the principle, you and I have no disagreement. As I stated yesterday, we probably have different opinions upon the facts that have been produced here. However, so far as that is concerned as of now, the question is moot with respect to me. I have taken up entirely too much time of this committee on this question. I thank you for your indulgence, and now I would like to let the committee get back to its serious business.

The CHAIRMAN. Mr. Markowitz, did you wish to say something?

You indicated you wanted to say something. The Chair doesn't want to deny you the right to make a brief statement, if you desire.

Mr. MARKOWITZ. I think there is nothing I can add, sir. I merely want the record to show that I am withdrawing my appearance on behalf of Mr. Cohen, Mr. Walker, and Mr. Brown, or any other officer or delegate of local 107 who may appear before this committee.

The CHAIRMAN. Do I understand you are not even representing Mr. Cohen, Mr. Walker, or Mr. Brown?

Mr. MARKOWITZ. That is correct, sir.

The CHAIRMAN. You are withdrawing from all of them?

Mr. MARKOWITZ. That is correct, sir.

The CHAIRMAN. I understand Mr. Carroll still represents those three.

Mr. MARKOWITZ. I heard that statement, sir.

The CHAIRMAN. But you are withdrawing?

Mr. MARKOWITZ. Yes, sir.

The CHAIRMAN. All right.

Call the next witness, please.

First, I don't know who represents the union now, or I don't know whether any lawyer does or not.

Mr. CARROLL. The union has not been subpoenaed before this committee, sir. I understand they are not here.

Senator ERVIN. That was what puzzled me all the time, that they were not here, and yet they had attorneys to represent the people from whom the committee was seeking the truth with respect to whether the union officers were raiding the union treasury.

Mr. CARROLL. That is exactly what it is, sir, that the union agreed to provide counsel for those of its members and officers who were subpoenaed here.

The union's books and records are in the possession of this committee. That is the only connection in which the union, as such, has been or is before the committee. So far as I know, there is no question about that at present. I don't represent them any more, so I can't speak about that.

The CHAIRMAN. All right. The Chair understands there is no one here representing the union. There is no request pending before the committee for any continuance on account of the union not having counsel. Therefore, we will proceed.

Call the next witness.

Mr. KENNEDY. Mr. Bernard Polen.

The CHAIRMAN. You do solemnly swear the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. POLEN. I do.

TESTIMONY OF BERNARD POLEN

The CHAIRMAN. Please state your name, your place of residence, and your business or occupation, Mr. Polen.

Mr. POLEN. My name is Bernard Polen. My business is at 4201 North Broad Street, Shore Brothers Pontiac, in Philadelphia.

The CHAIRMAN. Do you waive counsel?

Mr. POLEN. Yes, I do.

The CHAIRMAN. All right, Mr. Kennedy.

Mr. KENNEDY. You spell your name P-o-l-e-n, is that correct?

Mr. POLEN. That is correct, sir.

Mr. KENNEDY. And the first name is Bernard.

You sell Pontiacs, do you?

Mr. POLEN. Yes, we are Pontiac dealers.

Mr. KENNEDY. Retail dealers?

Mr. POLEN. Retail dealers.

Mr. KENNEDY. In November of 1956, was there a picket line placed out in front of your place of business?

Mr. POLEN. Yes, sir, there was.

Mr. KENNEDY. And that picket line came from what union?

Mr. POLEN. 596 and 724 were the numbers on the signs.

Mr. KENNEDY. 724 of what international?

Mr. POLEN. Machinists, I believe it was.

Mr. KENNEDY. International Brotherhood of Machinists?

Mr. POLEN. I suppose that is the technical name.

Mr. KENNEDY. And the other was teamsters?

Mr. POLEN. Yes.

Mr. KENNEDY. 596 of the teamsters?

Mr. POLEN. Yes, sir.

Mr. KENNEDY. Had you heard from the representatives of those unions prior to that time that they were interested in organizing your employees?

Mr. POLEN. I had not heard prior or subsequent to the time.

Mr. KENNEDY. Did any of your employees indicate that they wished to join the union?

Mr. POLEN. None of them indicated to me that they wished to join the union.

Mr. KENNEDY. Had any election been held prior to the time the picket lines appeared?

Mr. POLEN. No, sir.

Mr. KENNEDY. And no representative of either one of these unions came to you and said they had a majority of the employees and wanted to organize?

Mr. POLEN. That is correct.

Mr. KENNEDY. Do you know who they were trying to organize?

Mr. POLEN. I really do not.

Mr. KENNEDY. What did the signs that they carried say?

Mr. POLEN. The signs said, in effect, that "The men driving our cars are not union drivers."

They varied some. The signs varied at various times. I don't recall the exact wording. But the gist of the thing was that they were not union drivers.

Mr. KENNEDY. Did you have drivers working for you?

Mr. POLEN. We have no drivers as such. Our employees drive cars, of course.

Mr. KENNEDY. And those were the ones evidently, the employees that drove the cars and did other work were the ones that the two locals were interested in; is that right?

Mr. POLEN. I don't know. I suspect they were perhaps interested in the mechanics also but I wouldn't know.

Mr. KENNEDY. You do not know?

Mr. POLEN. No.

Mr. KENNEDY. Now, that occurred in early November of 1956?

Mr. POLEN. I think the day the pickets appeared was October 30, 1956.

Mr. KENNEDY. Now, did you have any damage done to your automobiles?

Mr. POLEN. Sometime during the night of November 8 or the early morning hours of November 9, our place was broken into and acid or paint remover, and I don't know which it was, poured on 8 new automobiles, and 4 windshields on other cars were broken.

This was the day of announcement of the new car for us.

Mr. KENNEDY. It was the day of the announcement?

Mr. POLEN. Yes, sir.

Mr. KENNEDY. That, Mr. Chairman, will be an important date as we go along, the night of November 8 or the early morning hours of November 9; is that right?

Mr. POLEN. That is right.

Mr. KENNEDY. Some 12 cars were damaged?

Mr. POLEN. That is right.

Mr. KENNEDY. Acid was thrown on 8 new Pontiacs, and on 4 others the windshields were busted; is that right?

Mr. POLEN. That is right.

Mr. KENNEDY. Nobody was apprehended in connection with that?

Mr. POLEN. No, sir.

Mr. KENNEDY. Now subsequently, did you have any conversations with any of the pickets or were any threats made to you about what you should do?

Mr. POLEN. No, sir.

Mr. KENNEDY. Did you have any conversations at all?

Mr. POLEN. I never had any conversations with any one.

Mr. KENNEDY. Now, did you take any steps to try to get protection for your automobiles that were being brought in?

Mr. POLEN. Yes. We called the Philadelphia police. Of course they knew about it, but I couldn't get very much assistance from them. So we tried to get guards from private detective agencies to protect our place during the hours we were closed. I had great difficulty in obtaining guards. Most of the detective agencies the minute they heard there was picketing shied clear of furnishing guards.

We finally did obtain a guard for our service station, and a guard for our showroom, and they were with us until the picketing stopped. It was somewhere around the middle of December.

As a matter of fact there were some weeks after that.

Mr. KENNEDY. Did you have any difficulty obtaining new cars?

Mr. POLEN. Yes, we had great difficulty. The Anchor Motor Freight who are the trailer people who deliver these new cars to us from the assembly plants refused to deliver cars to us and we had to have these cars sent to various groups, and sometimes as far as 60 or 70 or 80 miles away, and had to drive them in ourselves.

Mr. KENNEDY. When you were driving them in, and driving through the picket line, were you subjected to any threats at that time?

Mr. POLEN. No, sir.

Mr. KENNEDY. Nobody had any conversations with you?

Mr. POLEN. No, sir.

Mr. KENNEDY. None of the pickets did?

Mr. POLEN. No, sir.

Mr. KENNEDY. You say the picket line left at the end of December?

Mr. POLEN. May I amend that, there was one instance when I picked up two cars at Gallagher's warehouse, which is not too far away from our showroom, and this was I think on the 9th of November, on a Saturday morning, and there were a group of men.

Mr. KENNEDY. Was that the day you found out about the damage?

Mr. POLEN. Yes, sir. This was announcement time for us and we were without cars to show, and we were in a rather difficult position at that time and I got the factory to agree to let me have two cars out of the warehouse and I went down there with our sales manager and there were a group of men outside of the warehouse who made all sorts of threats.

However, we drove past them, and brought the cars in.

Mr. KENNEDY. That was from the pickets outside the place?

Mr. POLEN. Yes, sir.

Mr. KENNEDY. And then they left?

Mr. POLEN. Outside of Gallagher's and not outside of our place.

Mr. KENNEDY. That was another place where they were picketing cars?

Mr. POLEN. Yes, sir.

Mr. KENNEDY. And the pickets left from your place of business at the end of December?

Mr. POLEN. Just before Christmas, I think.

Mr. KENNEDY. Other Pontiac companies in Philadelphia were also being picketed at the same time?

Mr. POLEN. Yes, sir.

Mr. KENNEDY. Did you have any other damage other than this one incident you told us about?

Mr. POLEN. No, sir.

Mr. KENNEDY. What was the total loss of business and the total cost to you of this picket line that was placed outside of your business?

Mr. POLEN. Well, it is very difficult to state it in dollars. Certainly it cost us a great deal of business and it was very inconvenient, and the guards that we had to furnish were expensive. It cost us thousands of dollars; I would hesitate to say.

Mr. KENNEDY. How much was the damage itself, the acid and—

Mr. POLEN. \$1,200 or \$1,300, as I recall.

Mr. KENNEDY. Then you had to pay for the new guards?

Mr. POLEN. We had to pay the guards.

Mr. KENNEDY. And then you had the loss of business?

Mr. POLEN. I think we had tremendous loss of business, because the public seldom is aware of the difference between a strike and an organizational picket line. They see pickets outside of your place and they assume that there is a strike going on. Many of them will not enter the place.

Mr. KENNEDY. Once again this was a situation where no representative of the union had approached either your employees or yourself and no one asked you?

Mr. POLEN. I certainly never had any contact with any of them, and from what my employees tell me, they haven't.

Mr. KENNEDY. There was no election held indicating the employees wanted a union?

Mr. POLEN. Not asked for or held.

Mr. KENNEDY. No cards were signed by your employees?

Mr. POLEN. None that I know of.

Mr. KENNEDY. You are not aware of any?

Mr. POLEN. No.

Mr. KENNEDY. And you never signed up with the union?

Mr. POLEN. No, sir.

The CHAIRMAN. Did any of your employees approach you, a committee of them, or any one representing them, expressing an interest in joining the union or having a union shop?

Mr. POLEN. Never at any time, before or since.

The CHAIRMAN. So all of this just occurred without any warning, without any reason to anticipate it?

Mr. POLEN. Absolutely no reason for it that I know of, and there was no warning of it, and there was no explanation of it.

The CHAIRMAN. I hand you a series of nine pictures, I believe, showing automobiles and the damage to them. Will you identify those pictures if you can.

(Documents were handed to the witness.)

Mr. POLEN. Yes, sir; it is our showroom, and our cars, and the pictures are correct, sir.

The CHAIRMAN. That group of pictures may be made exhibit No. 29.

(Documents referred to were marked "Exhibit No. 29" for reference and may be found in the files of the select committee.)

The CHAIRMAN. How did they enter your place of business, and how did they gain entrance to get access to the cars?

Mr. POLEN. We have a door in the garage part of our building, and the lock on that door was broken, and the door itself was splintered, and that is the way they evidently got in.

The CHAIRMAN. Actually, it was a forcible entrance?

Mr. POLEN. Yes, sir.

The CHAIRMAN. All right, are there any questions?

Thank you very much, Mr. Polen.

Mr. KENNEDY. Mr. Gallagher, please.

The CHAIRMAN. Do you solemnly swear that the evidence, given before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GALLAGHER. I do.

TESTIMONY OF ARTHUR A. GALLAGHER

The CHAIRMAN. State your name, and your place of residence, and your business or occupation.

Mr. GALLAGHER. Arthur A. Gallagher, 516 Fisher's Road, Bryn Mawr, Pa., operating our business at several locations in Philadelphia, with our main office at pier 3, North Delaware Avenue.

The CHAIRMAN. Do you waive counsel?

Mr. GALLAGHER. Yes.

The CHAIRMAN. Well, proceed.

Mr. KENNEDY. Mr. Gallagher, what is your business?

Mr. GALLAGHER. Trucking and warehousing.

Mr. KENNEDY. And one of the things you warehouse is the Pontiac cars, Pontiac automobiles?

Mr. GALLAGHER. Cars for General Motors.

Mr. KENNEDY. And prior to the delivery to the retail stores; is that right?

Mr. GALLAGHER. Yes. We receive, store, and deliver to the dealers.

Mr. KENNEDY. Was a picket line placed out in front of your place of business in early November of 1956 by the teamsters?

Mr. GALLAGHER. I wouldn't call it a picket line. I would call it just a group of men in cars walking in front of our place, and we operated through the line.

Mr. KENNEDY. Did any representative of the Teamsters Union approach you in November, or early November, prior to that time?

Mr. GALLAGHER. Yes. The teamsters asked that we not deliver cars to the Pontiac dealers.

Mr. KENNEDY. What did you say to them?

Mr. GALLAGHER. We took the position that the cars were owned by General Motors, and we would deliver them to the dealers.

Mr. KENNEDY. Who had approached you from the teamsters and had this conversation with you?

Mr. GALLAGHER. I wasn't approached directly, but my brother John told me that Eddy Walker of 107 asked him not to make the deliveries, since Anchor Motor Freight were members of 107, and it would be embarrassing not to recognize the picket line.

Mr. KENNEDY. Anchor Motor Freight, are they the company that brought the General Motors cars to you?

Mr. GALLAGHER. Yes, sir.

Mr. KENNEDY. As I understand the situation, they wanted you to cease to make deliveries to the retail stores, to the retail shops in Philadelphia selling the automobiles, while they were striking these retail places; is that right?

Mr. GALLAGHER. Yes.

Mr. KENNEDY. And you said that because of the fact that these Pontiac automobiles and these other automobiles belonged to these individuals, you were going to continue to make the deliveries?

Mr. GALLAGHER. Yes, sir.

Mr. KENNEDY. And they then put a picket line out in front of your place, or a group of men walked up and down?

Mr. GALLAGHER. I wouldn't call it a picket line. It was a group of men.

Mr. KENNEDY. But you yourself or you and your drivers were not on strike, or your employees were not on strike?

Mr. GALLAGHER. My men were 107, delivering the cars, and they were not on strike.

Mr. KENNEDY. So they were taking this action against you because of the fact that you had this business relationship with these other stores; is that right?

Mr. GALLAGHER. Yes.

Mr. KENNEDY. And when you continued to make the deliveries, was there any damage then done to any of the automobiles in your lot?

Mr. GALLAGHER. On November 8 or early morning hours of November 9.

Mr. KENNEDY. The same day as Mr. Polen; is that right?

Mr. GALLAGHER. Yes.

Mr. KENNEDY. Go ahead.

Mr. GALLAGHER. We had seven cars splattered with acid.

Mr. KENNEDY. Seven of the new Pontiac automobiles?

Mr. GALLAGHER. Seven of the new Pointiac automobiles, yes.

Mr. KENNEDY. Did you ever find out who was responsible for it?

Mr. GALLAGHER. We asked the union if they did it, and they said no, they didn't do it.

Mr. KENNEDY. Oh, that settled it then?

Mr. GALLAGHER. Yes, sir.

Mr. KENNEDY. Did they continue to walk up and down in front?

Mr. GALLAGHER. Yes.

Mr. KENNEDY. After that?

Mr. GALLAGHER. Yes, sir.

Mr. KENNEDY. How long did they stay there?

Mr. GALLAGHER. Maybe a few more days, and maybe 5 days.

Mr. KENNEDY. And then they left?

Mr. GALLAGHER. They left.

Mr. KENNEDY. And you heard no more from them?

Mr. GALLAGHER. Well, we had no business. The Anchor Motor Freight, all of the cars were diverted from our warehouse, and so we were out of business as far as making deliveries. Anchor was delivering the cars to out-of-town dealers.

Mr. KENNEDY. How much business did you lose by the activities of the union?

Mr. GALLAGHER. I would say \$10,000.

Mr. KENNEDY. What was the damage done to the automobiles and the acid thrown on them?

Mr. GALLAGHER. \$600 to \$700.

Mr. KENNEDY. And you were never directly involved in it at all yourself?

Mr. GALLAGHER. Myself, you mean?

Mr. KENNEDY. With the union? Your company never had a dispute with the union directly in this whole matter, and you weren't involved yourself? This was an attempt to organize the Pontiac dealers?

Mr. GALLAGHER. Yes, sir.

Mr. KENNEDY. You were not involved yourself?

Mr. GALLAGHER. No.

Mr. KENNEDY. Your people were already members of local 107?

Mr. GALLAGHER. Yes, sir, and 596.

Mr. KENNEDY. That is all.

The CHAIRMAN. Are there any other questions?

All right, thank you very much.

Call the next witness.

Mr. KENNEDY. Mr. Robert Lee.

The CHAIRMAN. Do you solemnly swear that the evidence, given before this Senate select committee shall be the truth, the whole truth and nothing but the truth so help you God?

Mr. LEE. I do.

TESTIMONY OF ROBERT LEE

The CHAIRMAN. State your name and your place of residence or occupation.

Mr. LEE. Robert Lee, 712 Arlington Road, Penn Valley, Pa. My business is Robert Lee Pontiac, at Wayne and Shelton Avenues, in Germantown, Philadelphia.

The CHAIRMAN. If you can speak a little louder, we will appreciate it, Mr. Lee.

Mr. LEE. I am sorry, I will try.

The CHAIRMAN. Proceed.

Mr. KENNEDY. Mr. Lee, you operate a used car lot, do you?

Mr. LEE. Along with my new car agency.

Mr. KENNEDY. Your new car agency is a Pontiac dealer?

Mr. LEE. Yes, sir.

Mr. KENNEDY. Were you picketed starting early in November of 1956?

Mr. LEE. I and all of the Pontiac dealers had pickets, whatever the morning was, unexpectedly.

Mr. KENNEDY. About November 5, 1954, on or about that time?

Mr. LEE. Yes, sir.

Mr. KENNEDY. Prior to that time had any representative of the union approached you about joining the union?

Mr. LEE. The pickets were a complete shock to me when I saw them on that morning.

Mr. KENNEDY. Had anybody from the union, any representative approached you?

Mr. LEE. At no point either before, during, or after did I have any representation made to me by the union.

Mr. KENNEDY. There was no attempt by representatives of the union to have you sign a contract?

Mr. LEE. None.

Mr. KENNEDY. And did any of your employees approach you and indicate that they wished to join a union?

Mr. LEE. None. On the contrary, they approached me indicating their dislike of the union.

Mr. KENNEDY. Did any of them join in marching up and down with the pickets?

Mr. LEE. Never.

Mr. KENNEDY. So there wasn't any indication that your employees were interested in having the Teamsters Union as their bargaining agent?

Mr. LEE. Never. As a matter of fact a little bit more than a year before, they had rejected another union in an election.

Mr. KENNEDY. Was there any damage done to any of the automobiles on your lot?

Mr. LEE. On November 28, I can't vouch for the date, I think that is correct, at about 11 o'clock at night, 24 cars had acid splattered on them, used cars that is.

(At this point, the following members were present:) Senators McClellan and Ervin.)

Mr. KENNEDY. Did you find or ever learn who was responsible for it?

Mr. LEE. Never.

Mr. KENNEDY. How much was the damage that was done?

Mr. LEE. \$1,200.

Mr. KENNEDY. Did you lose business as well as the damage that was done to your automobiles?

Mr. LEE. Definitely.

Mr. KENNEDY. How much was the loss?

Mr. LEE. It is quite impossible to really estimate. The people who would not cross what they felt was a picket line—as Mr. Polen said, it is impossible to tell the difference between an organizational picket line and a strike. But it had to be very harmful. As a matter of fact, the day following the acid incident, the pickets were changed. They sent me two very special cripples.

Mr. KENNEDY. Do you mean cripples to walk up and down?

Mr. LEE. In front of my used-car lot.

Mr. KENNEDY. And there was no way for people to know that these were not employees of yours, but just outsiders?

Mr. LEE. Everybody thought that I had fired them.

Mr. KENNEDY. The picket lines remained for how long?

Mr. LEE. A month and a half.

Mr. KENNEDY. Your loss of business during that period of time was in the thousands of dollars?

Mr. LEE. Many thousands.

Mr. KENNEDY. The picket line ultimately went away, is that right, in December?

Mr. LEE. A few days before Christmas.

Mr. KENNEDY. During this whole period of time, you were never approached by a representative of the union or by your employees?

Mr. LEE. Never, from either.

Mr. KENNEDY. That is all.

The CHAIRMAN. Are there any questions?

If not, thank you very much.

At this point, the Chair will insert in the record an affidavit from Mr. Thomas D. McBride, supplementing his testimony of a few days ago. I will instruct the reporter that in the permanent record, print this affidavit at the conclusion of Mr. McBride's testimony, so it will all appear together.

Mr. KENNEDY. Mr. Saxonoff, Ralph Saxonoff.

(At this point, the following members were present: Senators McClellan and Ervin.)

The CHAIRMAN. You do solemnly swear the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SAXONOFF. I do.

TESTIMONY OF RALPH SAXONOFF

The CHAIRMAN. State your name, your place of residence, and your business or occupation.

Mr. SAXONOFF. My name is Ralph Saxonoff, I live at 7066 Dorcas Street, and I partly own and operate a retail and wholesale wallpaper and paint business.

The CHAIRMAN. You waive counsel, do you?

Mr. SAXONOFF. Yes, sir.

Mr. KENNEDY. Girard Wallpaper & Paint Co.?

Mr. SAXONOFF. A-r-d, that is right.

Mr. KENNEDY. It is located at the northeast corner of 13th Street and Girard Avenue, is that correct, Philadelphia?

Mr. SAXONOFF. That is right.

Mr. KENNEDY. Is that anywhere near the location of Local 596 of the Teamsters?

Mr. SAXONOFF. It was.

Mr. KENNEDY. How far away from their headquarters?

Mr. SAXONOFF. It was around the corner from their headquarters.

Mr. KENNEDY. Do you sell paint remover in your place of business?

Mr. SAXONOFF. Yes, sir.

Mr. KENNEDY. I would like to ask you: In November of 1956, do your records show or indicate that any paint remover was sold—

Mr. SAXONOFF. I believe there was.

Mr. KENNEDY. To anyone?

The CHAIRMAN. The Chair presents to you what appears to be three invoices, bills. I ask you to examine them and state whether you identify them. These are dated November 7, November 8, and November 8, 1956.

(The documents were handed to the witness.)

Mr. SAXONOFF. Those are our invoices.

The CHAIRMAN. Those are your invoices?

Mr. SAXONOFF. Yes, sir.

The CHAIRMAN. They may be made exhibit No. 30-A, B, and C.

(The documents referred to were marked "Exhibits Nos. 30-A, B, and C" for reference, and will be found in the appendix on pp. 11169-11171.)

The CHAIRMAN. Will you state what that invoice is?

Take No. 1, the one on top. State what it represents.

Mr. SAXONOFF. It represents a gallon of Strip-X.

The CHAIRMAN. A gallon of what?

Mr. SAXONOFF. Strip-X.

The CHAIRMAN. What is Strip-X?

Mr. SAXONOFF. Paint and varnish remover.

The CHAIRMAN. Paint and varnish remover?

Mr. SAXONOFF. Yes, sir.

The CHAIRMAN. What is the date of it?

Mr. SAXONOFF. November 7.

The CHAIRMAN. 1956?

Mr. SAXONOFF. 1956.

The CHAIRMAN. To whom was the invoice issued?

Mr. SAXONOFF. Local 596.

The CHAIRMAN. Was that a charge item?

Mr. SAXONOFF. It originally was a charged item. I have no way of knowing when it was paid, because I didn't date it. Normally we do, but sometimes we don't.

The CHAIRMAN. But it was paid?

Mr. SAXONOFF. It was paid.

The CHAIRMAN. It was charged to local 596?

Mr. SAXONOFF. Yes, sir.

The CHAIRMAN. Do you know personally who made the purchase?

Mr. SAXONOFF. Honestly, I don't.

The CHAIRMAN. Look at the next one. What does it show?

Mr. SAXONOFF. The next one is a canceled bill.

The CHAIRMAN. A canceled bill?

Mr. SAXONOFF. That is right.

The CHAIRMAN. What does that indicate?

Mr. SAXONOFF. It indicates it could have been ordered and then canceled.

The CHAIRMAN. That is on what date? What date is that?

Mr. SAXONOFF. November 8, 1956.

The CHAIRMAN. What does it indicate was ordered?

Mr. SAXONOFF. Three gallons of Klen-Strip.

The CHAIRMAN. Three gallons of the same product as the first bill or invoice covered?

Mr. SAXONOFF. Yes, sir.

The CHAIRMAN. Do you have another one?

Mr. SAXONOFF. Yes, sir.

The CHAIRMAN. What does that show?

Mr. SAXONOFF. That is the same date.

The CHAIRMAN. What is it?

Mr. SAXONOFF. That is three gallons of the same item.

The CHAIRMAN. Three gallons of the same item?

Mr. SAXONOFF. Yes, sir.

The CHAIRMAN. Was it actually sold and delivered?

Mr. SAXONOFF. I believe so.

The CHAIRMAN. To whom was it charged?

Mr. SAXONOFF. Local 596.

The CHAIRMAN. Was it later paid?

Mr. SAXONOFF. It must have been, because it was found in our paid files.

The CHAIRMAN. Found in your paid files?

Mr. SAXONOFF. Yes, sir.

The CHAIRMAN. What is the charge for the three gallons?

Mr. SAXONOFF. \$9.12.

The CHAIRMAN. Would that indicate, since one was canceled—what was the amount of the other one? That was for three gallons?

Mr. SAXONOFF. Yes. They are both the same. They have both been priced the same.

The CHAIRMAN. One is shown to have been canceled?

Mr. SAXONOFF. Yes, sir.

The CHAIRMAN. The second one of that date indicates that after ordering and canceling, they changed their mind again and bought?

Mr. SAXONOFF. No. It could be—you see, when we take our orders, we put them in one book, and then we copy our orders from the book. It could have been that I was busy that day and I could have made out duplication bills.

The CHAIRMAN. You can't be positive?

Mr. SAXONOFF. I can't be positive, no, sir.

The CHAIRMAN. When you say you made out duplicate bills, are you saying now that that last purchase of three gallons may not have been made at all?

Mr. SAXONOFF. Yes, I believe it should have been paid because of the fact that it was found in our paid files.

The CHAIRMAN. In other words, according to your records, everything indicates that it was purchased, delivered, and paid for?

Mr. SAXONOFF. Yes, sir.

Mr. KENNEDY. On examination, how much, actually, was purchased? The last one you said was three gallons.

Mr. SAXONOFF. Three and one-quarter gallons.

Mr. KENNEDY. One gallon was purchased when?

Mr. SAXONOFF. The 7th.

Mr. KENNEDY. And the three gallons?

Mr. SAXONOFF. The 8th.

Mr. KENNEDY. Would you look at those invoices again? Do those invoices indicate not only who the charge was made to but who picked them up?

Mr. SAXONOFF. No, sir, only on one invoice. There is some scribbling there, but I don't know who it is.

Mr. KENNEDY. You don't recognize that name?

Mr. SAXONOFF. No.

Mr. KENNEDY. Would you examine that carefully, please?

Mr. SAXONOFF. I looked at it very carefully.

Mr. KENNEDY. You have never been able to identify the name on there?

Mr. SAXONOFF. I never had any reason to.

Mr. KENNEDY. Please return it to me. Would you examine that again, please, and tell me if the name on there is not L. Thomas?

(The document was handed to the witness.)

Mr. SAXONOFF. Yes; I guess you could make it out as such.

Mr. KENNEDY. Do you know an L. Thomas as a member of local 596?

Mr. SAXONOFF. No. I know 596. I know a lot of the men; I have seen them. But I don't know L. Thomas.

Mr. KENNEDY. You don't know him as a business agent of local 596?

Mr. SAXONOFF. No, sir.

Mr. KENNEDY. That is all.

The CHAIRMAN. Are there any other questions?

Mr. KENNEDY. The key date, of course, is the fact that the merchandise was purchased on the 7th, and I believe the other date given was the 8th, and the acid was thrown, or the paint remover was thrown, on these automobiles of these two previous witnesses on the evening of the 8th or early morning of the 9th.

The CHAIRMAN. All right.

Call the next witness.

Thank you very much, sir.

Mr. KENNEDY. The records of local 596 indicate, Mr. Chairman, that the bill was, in fact, sent to local 596; I would like to ask Mr. Larry Thomas to appear as the next witness.

The CHAIRMAN. Mr. Thomas, come forward, please.

(At this point, the following members were present: Senators McClellan and Ervin.)

Mr. MARKOWITZ. Mr. Chairman, before Mr. Thomas is sworn—I think he is out in the hall someplace—I would like to make this statement: I am counsel, sir, my office is counsel, for local 596, and have been for several years. I am, of course, aware of the problem of the conflict of interest which has been raised by this committee, which has been raised by Mr. Carroll before the committee on professional guidance of the Philadelphia Bar Association.

No accusation has ever been made to me of the existence of any conflict of interest between my representation of the local on the one hand, and Mr. Thomas on the other hand. As late as last Monday, I have attempted to inquire of a member of the staff of this committee in Philadelphia what subject matters were going to be discussed involving local 596, and I could not obtain any such information. From the testimony I have heard so far today, I am not aware of, and do not believe that there does exist, a conflict of interest between the officers of local 596 on the one hand and the local union on the other.

I am interested in knowing this committee's position on that subject, because it seems to me that Mr. Thomas is entitled to counsel, as the chairman has stated, and, if it is necessary, or if the committee believes that there does exist a conflict, I would like the opportunity of presenting that question to the committee on professional guidance of the Philadelphia Bar Association, and having their determination of that issue.

The CHAIRMAN. Do I understand that you represent Mr. Thomas?

Mr. MARKOWITZ. I do, sir.

The CHAIRMAN. Has he retained you?

Mr. MARKOWITZ. No, sir.

The CHAIRMAN. In other words, the union has retained you?

Mr. MARKOWITZ. That is right, sir.

The CHAIRMAN. What is Mr. Thomas' position? Business agent?

Mr. KENNEDY. Business agent and recording secretary; is that right?

Mr. MARKOWITZ. I am not sure.

Mr. KENNEDY. You represent 596, don't you?

Mr. MARKOWITZ. I just haven't gotten notice of his position.

Mr. KENNEDY. How long have you represented 596?

Mr. MARKOWITZ. Three or four years.

Mr. KENNEDY. You don't know who the business agent and recording secretary of the union is?

Mr. MARKOWITZ. Mr. Thomas is a business agent, but I don't know what his exact position is. I don't have that information available.

The CHAIRMAN. Where is the witness?

Mr. MARKOWITZ. The witness is here, sir. As you can appreciate, Mr. Chairman, I don't want to involve myself in any difficulty with the bar association or violate in any way the canons of ethics of the American Bar Association. I have my personal opinion, which I think I have stated as to the status of the record in this matter at this stage, but I want to tread very carefully, and I don't want to appear for Mr. Thomas if there is the slightest doubt of the nature that this committee has raised.

The CHAIRMAN. The committee will take a 3-minute recess.

(Brief recess.)

(At the taking of the recess, the following members were present: Senators McClellan and Ervin.)

(At the reconvening of the session at the end of the recess, the following members were present: Senators McClellan and Ervin.)

The CHAIRMAN. The committee will come to order.

You are not under oath. I want to ask you some questions. Do you have a lawyer to represent you?

Mr. THOMAS. I do.

The CHAIRMAN. Who is he?

Mr. THOMAS. Mr. Richard Markowitz.

The CHAIRMAN. Did you retain him?

Mr. THOMAS. The local retained him.

The CHAIRMAN. The local retained him.

Mr. MARKOWITZ. May I make a comment to the committee in private?

The CHAIRMAN. Yes.

(At this point, there was an off-the-record discussion privately with the committee.)

The CHAIRMAN. The committee has considered this problem, and it is becoming an ever-increasing one. Obviously, we will have to establish some kind of precedent about it.

I think, certainly, the better propriety is that when members of a union who are called here to be questioned as witnesses, the better procedure would be, and, certainly, it would be then beyond any question of impropriety, for the witnesses who are members of a union, who are called in here to testify to secure their own counsel.

I do not believe it is a proper practice, and I doubt the ethics of it, for the union to furnish them an attorney simply when they are not charged with anything, but when the only interest the committee has is to get their testimony and to get the truth. If a witness feels that his testimony is such that if he answered questions truthfully they might tend to incriminate him, I seriously doubt the propriety of union dues being used to pay an attorney simply for that purpose.

Therefore, at least in this instance, based upon the information the committee has, and the circumstances attending the information that the committee desires from this witness, the Chair is going to rule that the union should not, in this instance, pay attorney fees for this witness.

Therefore, since it appears that the union has supplied or provided the attorney who is here present today to represent the witness, the Chair, with the approval of the committee, will not hear his testimony today, but will defer the taking of this witness' testimony until such time as he has had reasonable opportunity to procure an attorney of his own choice.

There is a question about Mr. Markowitz. I am not charging him with any act of bad faith at all. He evidently felt that possibly he could represent this witness. But I think the committee is going to have to establish a procedure here that will take this thing out of the realm of speculation or hypothesis with respect to ethics. Hereafter, unless the committee overrules the Chair or we change our minds about it for some good cause shown, some good reason sufficient to cause us to do so, we are going to require that witnesses who appear before the committee, who are members of a union or officers of a union, if they want personal representation, will have to secure counsel of their own, counsel not paid for by the union.

Mr. MARKOWITZ. Senator, of course you understand that I have been acting in accordance with the opinion of the professional guidance committee of the Philadelphia Bar Association, which was in existence up until yesterday.

The CHAIRMAN. Mr. Markowitz, there is no criticism at all on the part of the committee with respect to you, or directed to you, in connection with the Chair's ruling, none whatsoever. It is a situation that has developed here, but it is one that has to be dealt with. It becomes obvious it must be dealt with. The Chair is undertaking to deal with it according to our best judgment.

Mr. MARKOWITZ. I would like to point out to the chairman that there are two other witnesses in a similar situation.

Possibly I can discuss that with Mr. Kennedy.

Mr. KENNEDY. I was going to ask you about that. Does the same situation apply to them?

The CHAIRMAN. Name the two witnesses and bring them forward, please.

MR. MARKOWITZ. Mr. Louis Bertucci and Mr. Leon Strausse.

The CHAIRMAN. Counsel reminds me, and I think I made it clear but if I didn't, for the record, I will clarify it. I said where witnesses feel that if they gave a truthful answer to a question, a truthful answer might tend to incriminate them, that I did not feel that the union dues-paying members should be required to pay for attorney fees of members of the union or of officers of the union under those circumstances. Where a witness wants to come in and give the information that the committee desires, just to have someone advise him with respect to his legal rights, I think that would be all right, if he is going to give the testimony. But where he is under the compulsion or under the impression that if he gave truthful answers to the questions asked that he might be incriminating himself if he is in that position, and takes that position, I don't think the union dues-paying members ought to have to pay for his attorney fee. That is the ruling of the Chair, unless I am overruled.

I only have one other member present, which is a quorum for the purpose of these hearings.

MR. MARKOWITZ. I might say, Senator, I do not agree with the Chair's ruling. Of course, the Chair has made its ruling, and I respect it.

I would like the record, however, to show that I do not agree with it. I believe the Chair is in error. However, because of the circumstances, I have raised the problem here and presented it to the Chair for its determination.

I understand, sir, that you have suggested to these witnesses that they obtain other counsel. I would assume that you will give them a reasonable time and postpone their interrogation for the present, give them a reasonable time to obtain counsel.

The CHAIRMAN. That is what the Chair stated a few moments ago. That is why I called the other two at this time.

Will you state your names, gentlemen? You are not under oath.

MR. BERTUCCI. Louis Bertucci.

The CHAIRMAN. What is your name?

MR. STRAUSS. Leon Strausse.

The CHAIRMAN. Have you gentlemen attorneys?

MR. STRAUSS. Mr. Markowitz.

MR. BERTUCCI. Mr. Markowitz.

The CHAIRMAN. You didn't secure an attorney, but he has been provided by the local, I understand, by the union.

MR. STRAUSS. Yes.

MR. BERTUCCI. Yes.

The CHAIRMAN. That was my understanding. I said you are not a witness at the moment. I am simply trying to get information on which to guide the committee in its procedure. Can you indicate—and this should be asked you in private but if you have it in mind to do so—can you indicate whether you intend to avail yourself of the fifth amendment?

MR. MARKOWITZ. I don't know whether that is a fair question to ask a witness, sir, in a public proceeding.

The CHAIRMAN. I agree with you. I am just trying to expedite it.

MR. MARKOWITZ. I think it probably depends upon the question which is asked, sir.

The CHAIRMAN. I will put it this way. Based upon the ruling of the Chair, and you have heard my ruling—have you, gentlemen?

Mr. BERTUCCI. Yes.

Mr. STRAUSS. Yes.

The CHAIRMAN. Based upon that ruling, do you desire now to procure other counsel?

Mr. STRAUSS. Yes.

Mr. BERTUCCI. Yes.

The CHAIRMAN. All right. I thought I understood the situation.

Gentlemen, you will be given reasonable time within which to procure counsel of your own choice, not to be paid by union dues, union funds. You may secure any counsel you desire, as long as it does not bring back a situation of conflict of interest. I am not suggesting any counsel to you or excluding any attorney whom you might select.

A reasonable time means that you should act promptly about the matter. You will keep in touch with the committee, with the chief counsel, Mr. Kennedy, or Mr. Adlerman, the assistant counsel, and let us know promptly when you have secured counsel.

You will remain under the same subpoena, and you will be subject to being called, and you will respond to the call of the committee when you are notified to appear. Do you agree?

Mr. THOMAS. Yes.

Mr. BERTUCCI. Yes.

Mr. STRAUSS. Yes.

The CHAIRMAN. All right. Keep in touch with either Mr. Kennedy, or Mr. Adlerman, and get counsel as expeditiously as possible. Senator Ervin?

Senator ERVIN. I was going to say, Mr. Chairman, that I think the Chair has made a ruling which is advisable in the light of the experience we have here. There are involved in here at least three separate interests. One is the interest of Congress in finding out the truth in respect to these matters we have been inquiring about, so we can determine whether it is necessary in the public interest to enact legislation to minimize a repetition of these offenses alleged to have been committed. Of course, Congress is interested in getting the truth. Then you have the members of the union, whose dues are paid in, who are supposed to be represented and have their rights protected by union officers, and they are interested in getting the truth, or at least they ought to be.

Then you have the union officers who are charged, in effect, or suspected of malfeasance and misfeasance in office, and they are interested in suppressing the truth.

You have the finances of the members, essentially paid in by the members, who ought to be interested in getting the truth, which are used to prevent the truth being disclosed. That is the long and short of it. There is no way that you can change those facts. I think you have the dues of the union members used to protect the officers against disclosures of facts and to prevent Congress from ascertaining the facts. For those reasons, I think that the ruling of the Chair is wise and advisable under the circumstances.

The CHAIRMAN. Are there any other questions or statements?

All right, you are excused, subject to the conditions which the Chair has announced.

Call the next witness.

Mr. KENNEDY. I would just like to say, Mr. Chairman, that yesterday I mentioned that 596 had been put in trusteeship with Raymond Cohen as trustee in 1955. I believe that actually he took over as administrator or assistant administrator in August or September of 1956, rather than in 1955.

Mr. MARKOWITZ. That information is correct. I so advised Mr. Kennedy yesterday afternoon.

The CHAIRMAN. The information that it was 1956 instead of 1955 is correct?

Mr. MARKOWITZ. There was an implication, sir, that Mr. Cohen was trustee or administrative trustee at the time of certain incidents in 1955, which was incorrect.

The CHAIRMAN. We will let the permanent record be corrected accordingly.

Thank you very much. Is there anything else now?

Mr. KENNEDY. One more witness. Mr. Julius Wolfson.

This is a different matter, Mr. Chairman.

The CHAIRMAN. Do you solemnly swear the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WOLFSON. I do.

TESTIMONY OF JULIUS WOLFSON, ACCOMPANIED BY COUNSEL, RONALD N. RUTENBERG

The CHAIRMAN. State your name, your place of residence, and your business or occupation.

Mr. WOLFSON. My name is Julius Wolfson, 645 Ashbourne Road, Cheltenham. I am a garage owner.

The CHAIRMAN. A garage owner?

Mr. WOLFSON. Yes.

The CHAIRMAN. Do you have counsel with you?

Mr. WOLFSON. Yes.

Mr. RUTENBERG. Ronald N. Rutenberg, Senator, a member of the Philadelphia bar.

Mr. KENNEDY. You operate a garage at 967 North Eighth Street?

Mr. WOLFSON. Right, sir.

Mr. KENNEDY. How many employees do you have?

Mr. WOLFSON. About eight.

Mr. KENNEDY. About eight employees?

Mr. WOLFSON. Yes.

Mr. KENNEDY. Are they members of any Teamsters Union?

Mr. WOLFSON. They are members of 596.

Mr. KENNEDY. When did they become members of local 596?

Mr. WOLFSON. I do not remember, sir.

Mr. KENNEDY. About how long ago, approximately?

Mr. WOLFSON. I believe in 1955.

Mr. KENNEDY. Did you sign a contract with local 596 at that time, 1955?

Mr. WOLFSON. I refuse to answer under the fifth amendment.

Mr. KENNEDY. You refuse to answer what?

Mr. WOLFSON. The question under the fifth amendment. It may tend to incriminate myself.

Mr. KENNEDY. On the question of whether you signed a contract with local 596?

Mr. WOLFSON. Yes, sir.

Mr. KENNEDY. You, as an employer, refuse to answer the question as to whether you signed a contract with local 596?

Mr. WOLFSON. Yes, sir.

Mr. KENNEDY. Did a representative or a group of representatives from local 596 come to visit you?

Mr. WOLFSON. I refuse to answer under the fifth amendment. It may tend to incriminate myself.

Mr. KENNEDY. Did you know Mr. Benjamin Lapensohn?

Mr. WOLFSON. I refuse to answer under the fifth amendment. I may tend to incriminate myself.

Mr. KENNEDY. Did representatives of local 596 come to your garage, state that they wanted to organize your employees, and tell you at that time that they would put a picket line outside your place of business unless you signed a contract?

Mr. WOLFSON. I refuse to answer under the fifth amendment.

Mr. KENNEDY. Did Mr. Lapensohn then come along and say that he thought he could make some arrangements for you?

Mr. WOLFSON. I refuse to answer under the fifth amendment.

Mr. KENNEDY. What you would have to do was to pay a certain amount of money; is that right?

Mr. WOLFSON. I refuse to answer under the fifth amendment.

Mr. KENNEDY. Isn't it correct that you were interviewed by an investigator of our committee, that the investigator went into this whole matter in detail, that you told him about the payments that you had to make to Benjamin Lapensohn? Isn't that correct?

Mr. WOLFSON. I refuse to answer under the fifth amendment.

Mr. KENNEDY. And that these payments were periodic payments; is that right?

Mr. WOLFSON. I refuse to answer under the fifth amendment.

Mr. KENNEDY. You have a great opportunity, a great chance, Mr. Wolfson, to help and assist the committee in its work.

Is it your position that you do not want to help us in attempting to find the truth in this matter?

Mr. WOLFSON. I refuse to answer under the fifth amendment, sir.

The CHAIRMAN. Mr. Nash, come forward and be sworn. You do solemnly swear the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. NASH. I do.

TESTIMONY OF GEORGE L. NASH

The CHAIRMAN. State your name, your place of residence, and your business or occupation.

Mr. NASH. My name is George L. Nash. I reside at 337 77th Street, Brooklyn, N. Y., investigator for the General Accounting Office.

The CHAIRMAN. How long have you been with the General Accounting Office?

Mr. NASH. About 3 years.

The CHAIRMAN. What capacity?

Mr. NASH. Investigator.

The CHAIRMAN. Investigator. Do you know Mr. Julius Wolfson, who sits to your right?

Mr. NASH. Yes, sir.

The CHAIRMAN. You have been assigned to this committee, have you?

Mr. NASH. I have, sir.

The CHAIRMAN. How long have you been working for the committee?

Mr. NASH. About 9 months, sir.

The CHAIRMAN. 9 months. In the course of your duties with the committee, did you have occasion to interrogate Mr. Julius Wolfson?

Mr. NASH. I did.

The CHAIRMAN. At what time and place?

Mr. NASH. I interrogated Mr. Wolfson on February 13, 1958, at his garage, located at 967 North Eighth Street, Philadelphia.

TESTIMONY OF JULIUS WOLFSON—Resumed

The CHAIRMAN. Mr. Wolfson, do you want to try to cooperate with this committee as a good citizen of this country and give us the facts? I don't see anything in here that would likely incriminate you, if you were shaken down, and had to pay out money to protect yourself.

If you want to take that position, of course, that is your privilege.

Mr. WOLFSON. I would like to take the position of the fifth amendment, sir.

The CHAIRMAN. In other words, you are going to take the fifth amendment. You are not going to give the committee any information. You are taking the position that if you do give information in response to these questions or give evidence and testimony in response to them, truthful answers to these questions might tend to incriminate you; is that correct?

Mr. WOLFSON. That is right, sir.

TESTIMONY OF GEORGE L. NASH—Resumed

The CHAIRMAN. Mr. Nash, you say you interviewed Mr. Wolfson when?

Mr. NASH. On February 13, 1958.

The CHAIRMAN. Will you make a statement to the committee regarding that interview and the information Mr. Wolfson gave you at that time?

Mr. NASH. Mr. Wolfson informed me that in April 1954—

Mr. KENNEDY. Just a moment.

The CHAIRMAN. It is suggested to the Chair that you wrote a memorandum at the time you talked to him?

Mr. NASH. I did, sir.

The CHAIRMAN. At the time you interviewed Mr. Wolfson?

Mr. NASH. I did.

The CHAIRMAN. Did you make a memorandum of his statements at that time?

Mr. NASH. I did.

The CHAIRMAN. Did you make them in his presence?

Mr. NASH. I took notes in his presence, sir.

The CHAIRMAN. You took notes in his presence, the notes from which you wrote the memorandum?

Mr. NASH. Yes, sir.

The CHAIRMAN. Do you have the notes and the memorandum?

Mr. NASH. I have the memorandum, sir.

The CHAIRMAN. You have the memorandum. How soon did you write up the memorandum after you interviewed him?

Mr. NASH. I would say either that day or the following day, sir.

The CHAIRMAN. And you had your notes before you when you prepared the memorandum?

Mr. NASH. Yes, sir.

The CHAIRMAN. All right. Proceed.

Mr. NASH. I interviewed Mr. Wolfson on February 13, 1958, at his garage, in Philadelphia. At that time, he informed me that in April 1954, when he was in the office of Teamsters Local 596——

The CHAIRMAN. When he was?

Mr. NASH. In the office of Teamsters Local 596, at 13th and Girard Avenue, Philadelphia, negotiating a contract with Bernard Brown, who was then secretary-treasurer of the local, and Louis Bertucci, who was president of the local, Ben Lapensohn came into the room, took Wolfson aside, and asked him, Wolfson, who he knew who could help him out of a situation. Wolfson mentioned many names, including that of a city official now deceased.

Mr. KENNEDY. I might interrupt, Mr. Chairman. We have the name of the city official. He is now, as Mr. Nash points out, deceased, and we felt that it is best not to mention it.

The CHAIRMAN. The name will be withheld. Proceed.

Mr. NASH. Lapensohn told Wolfson to see this city official and tell him what happened. Wolfson did so, and a few days later this official advised Wolfson he would have to make a payoff. Wolfson then gave this official \$750 in cash. Wolfson claims that he borrowed the money from a friend. The friend was interviewed and he confirmed that from time to time he loaned Wolfson money in cash. In January 1955, a few months before the initial contract between Wolfson and local 596 was to expire, Lapensohn came to Wolfson's garage——

The CHAIRMAN. Is that Ben Lapensohn?

Mr. NASH. Yes, sir.

The CHAIRMAN. All right.

Mr. NASH. Lapensohn came to Wolfson's garage and told him that he was to enter into a new contract with the local, and the new contract would have about the same provisions as the old one. At that time, Ben Lapensohn asked Mr. Wolfson for \$1,500. A week or so later, Wolfson gave Lapensohn \$750, again in cash. The next day Lapensohn left for Florida. About 2 months later, Wolfson met with Ben Lapensohn, Bernard Brown, and Edward Walker, business agent of local 107, in the offices of the Teamsters Local 107, at 105 Spring Garden Street, Philadelphia, to negotiate a new contract. The contract presented Wolfson provided for increased wages, increased vacation time, and payments toward a health and welfare fund. Again Ben Lapensohn took Wolfson aside and asked him for another \$1,000 to straighten out the matter. Wolfson refused to make this payment and walked out of negotiations. He refused to sign a contract.

Wolfson later negotiated a contract with Joseph Cotter, a business agent, at more moderate terms than the contract originally presented to him by Walker, Lapensohn, and Brown.

That is the statement he furnished me, sir.

Wolfson claims that he has no financial records relating to these payoffs to Lapensohn, and that these payoffs were made in cash.

The CHAIRMAN. What was the total paid Lapensohn?

Mr. NASH. \$1,500, sir.

The CHAIRMAN. Are there any further questions of this witness?

Mr. KENNEDY. The initial arrangement was made by Lapensohn's contact with Mr. Wolfson; is that correct, and then the suggestion that he see the city official? The city official then told him at a subsequent meeting that he would have to make a payoff, and that the payoff was to be \$750, and Mr. Wolfson then did pay Lapensohn the \$750; is that correct?

Mr. NASH. He paid the official the \$750. He assumed the \$750 was passed on to Lapensohn.

Mr. KENNEDY. That was the first payment. Then in 1955, or in early 1955, he was again approached for an additional \$750; is that right?

Mr. NASH. That is correct.

Mr. KENNEDY. For \$1,500?

Mr. NASH. For \$1,500.

Mr. KENNEDY. Lapensohn made that approach at that time?

Mr. NASH. That is correct.

Mr. KENNEDY. That was not through the city official?

Mr. NASH. That is correct.

Mr. KENNEDY. He refused to pay the \$1,500 and only paid \$750, which Lapensohn took shortly before he went to Florida; is that right?

Mr. NASH. That is correct.

Mr. KENNEDY. He was approached again for \$1,000 by Lapensohn, and he refused to pay that?

Mr. NASH. That is correct.

Mr. KENNEDY. This is what Mr. Wolfson has told you?

Mr. NASH. That is correct, sir.

TESTIMONY OF JULIUS WOLFSON—Resumed

Mr. KENNEDY. What about what Mr. Nash has related as to his conversation with you, is that correct?

Mr. WOLFSON. I refuse to answer under the fifth amendment.

Mr. KENNEDY. Did you in fact pay the city official \$750 to be passed on to Ben Lapensohn?

Mr. WOLFSON. I refuse to answer, sir, under the fifth amendment.

Mr. KENNEDY. Did you subsequently give Mr. Lapensohn himself some \$750?

Mr. WOLFSON. I refuse to answer, sir, under the fifth amendment.

Mr. KENNEDY. At that time, Mr. Lapensohn was a business agent of local 107, was he not.

Mr. WOLFSON. I refuse to answer under the fifth amendment.

Mr. KENNEDY. Mr. Chairman, there is some information that this is a pattern of the activities of Mr. Ben Lapensohn. We expect that we might have some more testimony about this kind of operation at a

later time. Local 107 was a very powerful union in Philadelphia, beyond just the jurisdiction of local 107. It has great control over other locals, of Teamsters and other unions in Philadelphia. This kind of an operation of Ben Lapensohn of going to these employers and shaking them down for labor peace seems to be an operation which he used actively during the period of time that he had a close association with 107 and particularly with Raymond Cohen.

The CHAIRMAN. Mr. Wolfson, if you will not deny the statements made by this witness, I cannot help but conclude you made the statements to him.

Mr. WOLFSON. I refuse to answer—

The CHAIRMAN. And if you made those statements to him, then I cannot help but conclude that you are just as guilty as Lapensohn and the others of conduct that is reprehensible. You have the opportunity now, if you want to make any explanation about it.

Mr. WOLFSON. I refuse, sir, under the fifth amendment.

The CHAIRMAN. You agree you have been given every opportunity to clear the record, if the record is not true and sworn to by Mr. Nash?

Mr. WOLFSON. I refuse, sir—

The CHAIRMAN. Are there any other questions?

The committee may not be able to resume public hearings this afternoon. I do not know how soon, in view of some developments this morning, how soon we can resume. Possibly tomorrow. Notice will be given. Counsel for the committee will be in conference with the attorneys for the witnesses that are to be called. We will determine when the public meeting will be held. For the present, the committee stands adjourned, subject to the call of the Chair.

(Whereupon, at 12:30 p. m., the committee recessed, subject to the call of the Chair. The following members of the Senate select committee were present at the recess: Senators McClellan and Ervin.)

INVESTIGATION OF IMPROPER ACTIVITIES IN THE LABOR OR MANAGEMENT FIELD

TUESDAY, MAY 6, 1958

UNITED STATES SENATE,
SELECT COMMITTEE ON IMPROPER ACTIVITIES
IN THE LABOR OR MANAGEMENT FIELD,
Washington, D. C.

The select committee met at 10 a. m., pursuant to Senate Resolution 221, agreed to January 29, 1958, in room 357, Senate Office Building, Senator John L. McClellan (chairman of the select committee) presiding.

Present: Senator John L. McClellan, Democrat, Arkansas; Senator John F. Kennedy, Democrat, Massachusetts; Senator Barry Goldwater, Republican, Arizona; Senator Karl E. Mundt, Republican, South Dakota; Senator Carl T. Curtis, Republican, Nebraska; Senator Frank Church, Democrat, Idaho.

Present: Robert F. Kennedy, chief counsel; Jerome S. Adlerman, assistant chief counsel; John B. Flanagan, investigator; Leo C. Nulty, investigator; Herbert J. Rose, Jr., investigator; Ralph DeCarlo, investigator; Ruth Young Watt, chief clerk.

The CHAIRMAN. The committee will be in order.

(Members of the committee present at the convening of the session were: Senators McClellan and Mundt.)

The CHAIRMAN. We resume hearings in the Philadelphia matter, in which we engaged at the time the committee last recessed.

Mr. KENNEDY. Mr. Larry Thomas.

The CHAIRMAN. You do solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. THOMAS. I do.

TESTIMONY OF LARRY ANDERSON THOMAS, ACCOMPANIED BY ALBERT S. OLIENSIS

The CHAIRMAN. State your name, and your place of residence and your business or occupation.

Mr. THOMAS. Larry Anderson Thomas, 5708 Delancey Street, Philadelphia, Pa.

The CHAIRMAN. What is your business or occupation?

Mr. THOMAS. Business agent and recording secretary of Local 596, Teamsters, Philadelphia.

The CHAIRMAN. You have counsel present to represent you?

Mr. THOMAS. I do.

The CHAIRMAN. Counsel, identify yourself for the record.

Mr. OLIENSIS. I am Albert S. Oliensis, of Philadelphia, and my home address is 8409 Widner Road, Philadelphia 18, and my business address is 1 North 13th Street, Philadelphia.

The CHAIRMAN. Thank you very much.

Mr. KENNEDY. How long have you been with the Teamsters Local 596?

Mr. THOMAS. Since 1954.

Mr. KENNEDY. What were you doing prior to that time?

Mr. THOMAS. I worked as a longshoreman.

Mr. KENNEDY. How long have you been in the Teamsters Union—just since 1954?

Mr. THOMAS. Correct.

Mr. KENNEDY. And when were you made an officer of the local?

Mr. THOMAS. I believe in 1954.

Mr. KENNEDY. At the time you came in the local?

Mr. THOMAS. Well, it must have been several months after, as near as I can remember.

Mr. KENNEDY. Were you elected to your position?

Mr. THOMAS. Pardon me, Senator, may I consult my counsel?
(Witness conferred with his counsel.)

Mr. THOMAS. Yes.

Mr. KENNEDY. You were elected?

Mr. THOMAS. Yes, sir.

Mr. KENNEDY. And did you have any opposition at the time?

Mr. THOMAS. No.

Mr. KENNEDY. Were you elected in a slate of a number of different officers?

Mr. THOMAS. Yes.

Mr. KENNEDY. Who was the secretary-treasurer at the time?

Mr. THOMAS. Bernard Brown.

Mr. KENNEDY. How were you selected to run with Bernard Brown on that slate? What I am trying to find out, you had only been in the local for several months—

Mr. THOMAS. There was a motion made on the floor by one of the members.

Mr. KENNEDY. Somebody nominated you?

Mr. THOMAS. That is right.

Mr. KENNEDY. Nobody nominated anybody in opposition to you?

Mr. THOMAS. None.

Mr. KENNEDY. Who was the recording secretary prior to the time you became recording secretary?

Mr. THOMAS. I don't remember.

Mr. KENNEDY. What kind of work were you doing prior to the time you came with the Teamsters Union?

Mr. THOMAS. I worked as a longshoreman.

Mr. KENNEDY. And then you became what?

Mr. THOMAS. One minute. I am sorry, Senator. I also worked as an organizer for the AFL just prior to coming to the Teamsters.

Mr. KENNEDY. Did you change your work when you came with the Teamsters?

Mr. THOMAS. I did.

Mr. KENNEDY. What did you do then?

Mr. THOMAS. Organized.

Mr. KENNEDY. Tell me, what union were you working for as an organizer for the Longshoremen's Union?

Mr. THOMAS. The IBL, International Brotherhood of Longshoremen.

Mr. KENNEDY. And then did the Teamsters employ you as an organizer at that time?

Mr. THOMAS. Right after the election in 1953, I believe, in New York City, with the ILA and the IBL.

Mr. KENNEDY. What did that have to do with your becoming a member of the Teamsters?

Mr. THOMAS. Well, it had something to do with it in this sense: One of the agents of the IBL was Jack Banks, and he told me that I would be able to get a job with the Teamsters, if he recommended me. He is now dead.

Mr. KENNEDY. What was the reason that you wanted to leave the IBL?

Mr. THOMAS. I didn't leave it. It was all over with.

Mr. KENNEDY. Why didn't you go into the ILA then?

Mr. THOMAS. I was in the ILA.

Mr. KENNEDY. Why didn't you stay in or go with the IBL? Wasn't there any union, Longshoremen's Union in Philadelphia at the time?

Mr. THOMAS. There was.

Mr. KENNEDY. Why didn't you stay with the Longshoremen's Union?

Mr. THOMAS. Well, I had no more job.

Mr. KENNEDY. They let you go at that time?

Mr. THOMAS. That is right, they let me go when I first started organizing.

Mr. KENNEDY. And he recommended you for the job with the Teamsters?

Mr. THOMAS. That's right.

Mr. KENNEDY. Who was it that hired you as an organizer for the Teamsters?

Mr. THOMAS. Bernard Brown.

Mr. KENNEDY. Burney Brown did?

Mr. THOMAS. Yes, sir.

Mr. KENNEDY. Had you known him prior to that time?

Mr. THOMAS. No.

Mr. KENNEDY. And who nominated you on the floor as recording secretary?

Mr. THOMAS. I don't recall his name. One of the members.

Mr. KENNEDY. What were you paid as an organizer for local 596?

Mr. THOMAS. May I consult with my counsel?

(Witness conferred with his counsel.)

Mr. THOMAS. I respectfully decline to answer that question on the ground that I am not required to give evidence against myself under the fifth amendment.

The CHAIRMAN. You understood the question, did you?

Mr. THOMAS. I did.

The CHAIRMAN. That you were employed as an organizer, and the question was "What salary did you receive as an organizer?"

Mr. THOMAS. I understood it.

The CHAIRMAN. You understood it?

Mr. THOMAS. Yes, sir.

The CHAIRMAN. Will you repeat the question, Mr. Counsel.

Mr. KENNEDY. What salary did you receive as an organizer for local 596?

Mr. THOMAS. I respectfully decline to answer the question on the ground I am not required to give evidence against myself under the fifth amendment of the Constitution. I invoke that privilege.

Senator MUNDT. For the record, you raised a point and I am very doubtful that any witness could use the fifth amendment appropriately on a question of that kind. There is no crime involved in that.

The CHAIRMAN. The Chair is attempting to proceed, with the permission of the committee, to order and direct the witness to answer the question. That was the order of the Chair, and with the approval of the committee—

Mr. OLIENSIS. May counsel be heard for a second, please?

The CHAIRMAN. Briefly.

Mr. OLIENSIS. The thought that occurs to me your honor is simply this: If he received certain moneys during this period and he did not return them and thereby might possibly have evaded his income tax, to that extent his answer might tend to incriminate him.

That, frankly, sir, is what was in the back of my mind.

The CHAIRMAN. It might be. The order of the Chair stands, and it is a question, of course, for the courts to resolve and it cannot be resolved here. That is why we have lawsuits and why the lawyers' profession is a pretty good profession, and pretty profitable at times.

Let us proceed.

Mr. KENNEDY. Then you became the recording secretary after being an organizer for several months. Did you continue as an organizer after you became recording secretary?

Mr. THOMAS. After my election as recording secretary, I also received another office; business agent.

Mr. KENNEDY. Did you continue your organizing activities?

Mr. THOMAS. Yes, sir.

Mr. KENNEDY. And what salary or expenses did you receive in your new position, of recording secretary and business agent?

Mr. THOMAS. I respectfully decline for the same reason.

Mr. KENNEDY. Now—

The CHAIRMAN. Just a moment. Will you state your reason?

Mr. THOMAS. I respectfully decline to answer the question under the ground that I am not required to give evidence against myself under the fifth amendment.

The CHAIRMAN. With the approval of the committee, the Chair orders and directs you to answer the question.

Mr. THOMAS. I respectfully decline to answer the question under the ground that I am not required to give evidence against myself.

The CHAIRMAN. Proceed.

Mr. KENNEDY. Was your local, 596, placed in trusteeship subsequently?

Mr. THOMAS. Yes.

Mr. KENNEDY. When was that?

Mr. THOMAS. I don't remember.

Mr. KENNEDY. Was that after you became recording secretary?

Mr. THOMAS. Yes.

Mr. KENNEDY. For what reason were they put in trusteeship?

Mr. THOMAS. I don't remember.

Mr. KENNEDY. Were you ever told why they were put in trusteeship?

Mr. THOMAS. I don't remember.

Mr. KENNEDY. Did you continue on as recording secretary after the local was put in trusteeship?

Mr. THOMAS. I did.

Mr. KENNEDY. Did you ever make any protest about it being put in trusteeship?

Mr. THOMAS. No.

Mr. KENNEDY. Did all of the officers remain in their positions?

Mr. THOMAS. They did.

Mr. KENNEDY. They did?

Mr. THOMAS. Yes, sir.

Mr. KENNEDY. You have no idea why they were put in trusteeship?

Mr. THOMAS. I don't remember.

Mr. KENNEDY. Well, you don't have any idea at the present time?

Mr. THOMAS. I don't remember.

Mr. KENNEDY. What were your responsibilities as far as strikes were concerned, Mr. Thomas?

Mr. THOMAS. Pardon me.

(Witness conferred with his counsel.)

Mr. KENNEDY. When strikes occurred, what were your responsibilities?

Mr. THOMAS. My duties were to go to the various picket lines and see that everything was in order, or orderly, and also to picket.

Mr. KENNEDY. In the course of those duties, did you have any responsibilities or other duties to inflict any damage on the firm or place of business that was being picketed?

Mr. THOMAS. I decline to answer the question on the ground that that I am not required to be a witness against myself.

Mr. KENNEDY. Were you given any instructions to inflict any damage on the property of any firm or company that you were picketing?

Mr. THOMAS. I decline to answer the question on the ground that that I am not required to be a witness against myself.

(At this point, Senator Church entered the hearing room.)

The CHAIRMAN. The question is here, if you did commit any vandalism or damage property. The question is: Were you ordered to do it or instructed to do it, and was it a part of your duties assigned to you by your superiors in the union?

In other words, did you just do it on your own volition, or were you ordered and instructed to do it, and that is what we are trying to get—the difference? What is your answer?

Mr. THOMAS. I respectfully decline to answer the question under the ground that I am not required to give evidence against myself.

The CHAIRMAN. You won't say, then, or you are unwilling to say whether you did it on orders of your superiors, or whether you just did it on your own volition?

Mr. OLIENSIS. May I say a word, sir. It would seem to me your honor that you are directing yourself toward a conspiracy, and for that reason I again advised him, if he saw fit, to invoke the amendment.

The CHAIRMAN. The Chair pretty well understands, and I have seen so much of this that I know just about what is going on.

All right, proceed.

Mr. KENNEDY. Specifically, in 1956, did you purchase some paint remover from the Girard Wallpaper & Paint Co.?

Mr. THOMAS. I respectfully decline to answer the question on the ground I am not required to be a witness against myself.

(At this point, the following members were present: Senators McClellan, Mundt and Church.)

Mr. KENNEDY. And was the purpose of purchasing that paint remover to throw on the Pontiac automobiles belonging to the Pontiac dealers, where you had been on strike?

Mr. THOMAS. I respectfully decline to answer the question on the ground that I am not required to give evidence against myself.

Mr. KENNEDY. Did you receive your instructions to purchase that paint remover from any officials of the union?

(The witness conferred with his counsel.)

Mr. THOMAS. I respectfully decline for the same reason.

Mr. KENNEDY. Did Mr. Raymond Cohen know at that time that the paint remover was being purchased and that it was to be used on these automobiles?

Mr. THOMAS. I respectfully decline for the same reason.

The CHAIRMAN. The Chair presents to you exhibit No. 29, three documents previously submitted to the committee as evidence, made exhibit 29A, B, and C. They are bills or invoices showing certain purchases. Exhibit 29A has a signature on it. I am presenting it to you and asking you to examine the three, exhibits A, B, and C of 29, and also to examine the signature on one of them, and state whether you recognize those invoices, and if you recognize the signature that you see on the bottom of the one that is on top.

(The documents were handed to the witness.)

(The witness conferred with his counsel.)

(At this point, Senator Mundt withdrew from the hearing room.)

The CHAIRMAN. Have you examined the documents?

Mr. THOMAS. I have.

The CHAIRMAN. Do you identify them?

Mr. THOMAS. I respectfully decline to answer the question for the same reason.

The CHAIRMAN. What reason?

Mr. THOMAS. That I am not required to give evidence against myself under the fifth amendment.

The CHAIRMAN. Is that your signature on the document on top?

Mr. THOMAS. I decline for the same reason.

The CHAIRMAN. You have examined them. Let the Chair have them, please.

(The documents were returned to the committee.)

The CHAIRMAN. These purchases were made from the Girard Wallpaper & Paint Co. The first invoice indicates that the purchase was made on November 7, 1956. Did you make that purchase?

Mr. THOMAS. I decline for the same reason.

The CHAIRMAN. State your reason. I don't want to have to keep telling you to do that.

Mr. THOMAS. I decline to answer the question on the ground that I am not required to be a witness against myself under the fifth amendment.

The CHAIRMAN. Another one of these invoices from the Girard Paint Co. shows a purchase made on November 8, 1956. Did you make that purchase?

Mr. THOMAS. I decline to answer the question on the ground that I am not required to give evidence against myself.

The CHAIRMAN. Are you an expert in throwing paint remover on cars?

Mr. THOMAS. I decline to answer the question on the ground that I am not required to give evidence against myself.

The CHAIRMAN. Is that why you were employed by that union, to carry out their vandalism?

Mr. THOMAS. I decline to answer the question on the ground that I am not required to give evidence against myself.

The CHAIRMAN. Are you proud of that kind of performance, if you did it?

Mr. THOMAS. I decline to answer the question on the ground that I am not required to give evidence against myself.

The CHAIRMAN. Is that why you were employed by the union when you first came into it, they needed another person to carry out these acts?

Mr. THOMAS. I decline to answer the question on the ground that I am not required to be a witness against myself.

The CHAIRMAN. Did you have an understanding with them that you were willing to and that you would perform these acts of vandalism if they gave you a job?

Mr. THOMAS. I decline to answer the question on the ground that I am not required to give evidence against myself.

Mr. KENNEDY. Within 2 days of the purchase of this paint remover, paint remover was thrown on the Pontiac automobiles, of Shore Bros. Do you know anything about that?

Mr. THOMAS. I decline to answer the question on the ground that I am not required to give evidence against myself.

The CHAIRMAN. Do you work out of the headquarters of the local? (The witness conferred with his counsel.)

Mr. THOMAS. I do.

The CHAIRMAN. How far is the headquarters of the local from this Girard Wallpaper Co.?

(The witness conferred with his counsel.)

Mr. THOMAS. Senator, there is two places involved here.

The CHAIRMAN. Which one did you get it from?

(The witness conferred with his counsel.)

Mr. THOMAS. There is two different headquarters involved, sir.

The CHAIRMAN. How close is the nearest headquarters to this wallpaper company?

(The witness conferred with his counsel.)

Mr. THOMAS. Approximately 13 blocks.

The CHAIRMAN. 13 blocks. The closest one?

Mr. THOMAS. At the present time, approximately 13 blocks.

The CHAIRMAN. How close is it now?

Mr. THOMAS. Approximately 13 blocks.

The CHAIRMAN. How close was it at the time these purchases were made in November 1956?

(The witness conferred with his counsel.)

Mr. OLIENSIS. Senator, if I may, if you would ask him how close was the shop or the office at the date appearing on this invoice, I am sure—

The CHAIRMAN. That is what I am asking. I said how close was the headquarters on the 7th of November 1956 or the 8th of November 1956, the date of the two invoices.

Mr. OLIENSIS. Two hundred feet, perhaps.

The CHAIRMAN. Two hundred feet?

Mr. OLIENSIS. Yes.

The CHAIRMAN. Thank you. Proceed, Mr. Kennedy.

Mr. KENNEDY. On another matter, other than the vandalism that occurred from the throwing of paint remover on automobiles, did you ever participate in the beating of any individual after you became a union organizer for the teamsters?

(The witness conferred with his counsel.)

Mr. THOMAS. I respectfully decline to answer the question on the ground that I am not required to give evidence against myself.

The CHAIRMAN. Was that done at the instructions of the officials of local 596?

Mr. THOMAS. I respectfully decline to answer the question on the ground that I am not required to give evidence against myself.

Mr. KENNEDY. Did you ever participate in the beating of any members of local 596 or other teamsters members or officials?

Mr. THOMAS. I respectfully decline to answer the question on the ground that I am not required to give evidence against myself.

Mr. KENNEDY. That was done at the instructions of the officials of 596?

Mr. THOMAS. I respectfully decline to answer the question on the ground that I am not required to give evidence against myself.

Mr. KENNEDY. To purchase acid and paint remover and throw it on automobiles, to destroy property, and to beat up individuals, isn't that the reason you were hired by local 596?

Mr. THOMAS. I respectfully decline to answer the question on the ground that I am not required to be a witness against myself.

Mr. KENNEDY. That is all.

The CHAIRMAN. Are there any questions, Senator?

Senator CHURCH. No questions.

The CHAIRMAN. You may stand aside.

Because of a conflict of meetings of committees, we are going to have to recess until 1:30 this afternoon. The first meeting of the Space Committee, the so-called Space Committee, of the Senate is in session, and the Chair feels that he should attend that meeting. Therefore, we will recess until 1:30 this afternoon.

(At the recess, the following members were present: Senators McClellan and Church.)

(Whereupon, at 10:35 a. m., a recess was taken until 1:30 of the same day.)

AFTERNOON SESSION

(The hearing was resumed at 1:30 p. m., Tuesday, May 6, 1958, in the Caucus Room, Senator John L. McClellan (chairman) presiding.

The CHAIRMAN. The committee will be in order.

(Members of the committee present at the convening of the session were: Senators McClellan and Church.)

The CHAIRMAN. All right, Mr. Counsel, do you have a statement you wish to make?

Mr. KENNEDY. Mr. Chairman, this afternoon we are going into a different phase of Mr. Lapensohn's activities and operations, and that deals with the publication of a yearly magazine.

We are going to inquire into the effect that the yearly magazine had on both legitimate labor and businessmen. We have some information and some evidence indicating that this magazine and other magazines of its kind were used as a shakedown on legitimate businessmen, and that on many occasions labor officials under whose direction or under whose control perhaps these labor magazines were operating were unaware of the fact that the magazines were being used in this fashion.

I think Mr. George Meany has already come out and criticized the operation of some of these magazines, but we expect to develop today and tomorrow how some of these operations are conducted, and what the effect is on both management and legitimate labor.

I would like to call as our first witness, Mr. Chairman, Mr. James McDevitt, who was formerly president of the Pennsylvania Federation of Labor, for the purpose of discussing some of these matters.

The CHAIRMAN. Do you solemnly swear that the evidence, given before this Senate select committee, shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. McDEVITT. I do.

TESTIMONY OF JAMES L. McDEVITT

The CHAIRMAN. Will you state your name, and your place of residence, and your business or occupation?

Mr. McDEVITT. My name is James L. McDevitt, and my residence is 5901 Goldsborough Road, Bethesda, Md., and I am director of political education for the AFL-CIO.

The CHAIRMAN. Do you waive counsel, Mr. McDevitt?

Mr. McDEVITT. Yes; I do, sir.

The CHAIRMAN. Thank you.

All right, Mr. Kennedy, you may proceed.

Mr. KENNEDY. Mr. McDevitt, you used to be or you were formerly head of the Pennsylvania Federation of Labor?

Mr. McDEVITT. That is correct.

Mr. KENNEDY. And would you tell us during what period of time you held that position?

Mr. McDEVITT. From April 1938 until approximately April of 1954, when I put in my formal resignation, but I was on leave of absence from the Pennsylvania Federation of Labor from November of 1951.

Mr. KENNEDY. In 1954 you came down to your present position, did you?

Mr. McDEVITT. No, I came to Washington in October, actually in October of 1951, in my present position.

Mr. KENNEDY. As chairman or president?

Mr. McDEVITT. National director of the Committee on Political Education.

Mr. KENNEDY. Have you had anything to do with the situation in Pennsylvania since 1951, other than your title that you held until 1954?

Mr. McDEVITT. Well, while I wasn't located in the State I went back occasionally to take care of certain matters that had arisen between the time I came here to Washington until the time my resignation was finally accepted.

Mr. KENNEDY. Now, Mr. McDevitt, we have had some testimony here regarding the activities of Mr. Lapensohn, particularly as it related to Local 107 of the Teamsters Union. We also found in the course of our investigation that he operated a magazine in Pennsylvania from, I believe, approximately 1946 or 1947 up until 1953, and that he conducted its affairs with the understanding or with the supposition that it was directly affiliated with the Pennsylvania Federation of Labor.

During this period of time you were president of the Pennsylvania Federation of Labor. First I would like to find out from you what you know about Mr. Lapensohn's activities as the operator of that magazine, and whether he did have the blessing of the Pennsylvania Federation of Labor, and how that came into effect initially.

Mr. McDEVITT. Mr. Kennedy, I wonder if I could with your permission, Mr. Chairman, read a statement before I answer any questions?

The CHAIRMAN. Have you submitted a statement?

Mr. McDEVITT. No, I just prepared it rather hurriedly, Senator.

Mr. KENNEDY. I am afraid I will have to take the responsibility for that. There was a mixup as to the time.

The CHAIRMAN. Without objection, the committee will waive the requirement of the rule, in this particular instance, and your statement is brief, is it?

Mr. McDEVITT. Very brief.

The CHAIRMAN. You may read it.

Mr. McDEVITT. Thank you.

I understand the matter now under inquiry by the committee concerns the issuance of a yearbook by the Pennsylvania Federation of Labor and the obtaining by Mr. Benjamin Lapensohn from various persons and firms advertisements for inclusion in this yearbook. I am here voluntarily for the purpose of furnishing to the committee whatever information I possess that may be pertinent to the matter under inquiry.

The Pennsylvania State Federation of Labor first issued a book, a yearbook, over 25 years ago, and such practice continued until the year of 1953. Part of this time I was president of the federation, having held that office from the year 1938 to 1954. In 1946 Mr. Lapensohn was engaged by the Pennsylvania State Federation to secure advertisements for its yearbook, and he continued this undertaking until the year of 1953.

He was retained by me on behalf of the federation after an inquiry by me into his character, reputation, and ability. Reports I received concerning Mr. Lapensohn were good. During the period from 1946 to 1953 I had no reason to suspect that Mr. Lapensohn might be con-

ducting himself in an improper manner, with respect to the obtaining of advertisements for the yearbook. Some complaints relating to isolated activities of salesmen of advertisements were brought to my attention during this period, and in each case I made inquiry into these complaints and obtained corrective action where such corrective action was required.

These complaints were relatively few in number. The Pennsylvania State Federation of Labor published the yearbook as a means of supplementing income which was used to defray the costs of legitimate, proper, and necessary union activities. As a result of the engagement of Mr. Lapensohn, the federation received 40 percent of the gross amount obtained through advertisements, and Mr. Lapensohn received 60 percent of such gross amount.

Under the arrangements made, all checks for advertisements were to be made payable to the Pennsylvania State Federation of Labor. These checks were recorded and deposited by the federation. Thereafter 60 percent of the amount of these checks was paid to Lapensohn. From the amount he received, Lapensohn paid all solicitation costs including salesman's commissions.

The CHAIRMAN. Including what?

Mr. McDEVITT. Including commissions, salesmen's commissions. The federation paid only for the printing and distribution of the yearbook. The issuance of the yearbook was discontinued by the State Federation of Labor in 1953 by convention action upon recommendation of the executive council of the Pennsylvania State Federation.

The CHAIRMAN. Did it publish an issue that year, in 1953?

Mr. McDEVITT. 1953 was the last year.

The CHAIRMAN. It did publish covering 1953?

Mr. McDEVITT. Yes, that is right. When the per capita tax paid to the federation was raised, the financial needs of the federation no longer required the publication of the yearbook. I am here to answer any questions the members of the committee or counsel may desire to ask.

If there are any questions I would be pleased to answer them to the best of my ability.

The CHAIRMAN. Thank you very much.

All right, Mr. Kennedy.

Mr. KENNEDY. It might be a good idea, Mr. Chairman, before we begin a discussion of the yearbook, if you had the witness identify this.

The CHAIRMAN. You just stated that the last publication by the State Federation of Labor was in 1953, covering the year 1953.

I hand you what purports to be a copy of that issue, and will you examine it and state if you identify it as such?

(A document was handed to the witness.)

Mr. McDEVITT. Yes, I do.

The CHAIRMAN. That may be made exhibit No. 31 for reference only.

(Document referred to was marked "Exhibit No. 31," for reference and may be found in the files of the select committee.)

Mr. KENNEDY. Now, Mr. McDevitt, this magazine would be put out once a year, is that right?

Mr. McDEVITT. That is correct.

Mr. KENNEDY. Mr. Lapensohn's company would publish the magazine?

Mr. McDEVITT. No. Mr. Lapensohn had responsibility only for the solicitation of advertisements. The printing of the book and the editing of it was the responsibility of the federation itself.

Mr. KENNEDY. What about the distribution of the magazine?

Mr. McDEVITT. That was also the responsibility of the federation.

Mr. KENNEDY. Now, were these matters taken out of the 40 percent that you received?

Mr. McDEVITT. Yes, they were.

Mr. KENNEDY. You had to pay for the publishing and the printing and the distribution of the magazine?

Mr. McDEVITT. Yes, sir.

Mr. KENNEDY. Out of that 40 percent, is that correct?

Mr. McDEVITT. That is right.

Mr. KENNEDY. And the income to the magazine came from these ads that were placed in it?

Mr. McDEVITT. Insofar as the publication of the book is concerned, that is correct.

Mr. KENNEDY. The magazine itself was not sold?

Mr. McDEVITT. Never.

Mr. KENNEDY. So that the income came from the ads that the solicitors or Mr. Lapensohn was able to receive from various individuals?

Mr. McDEVITT. Yes, sir.

Mr. KENNEDY. Now, most of the solicitation came from employers, did it not?

Mr. McDEVITT. That is correct to the best of my knowledge.

Mr. KENNEDY. The other labor unions or labor unions themselves did not place ads in the magazine?

Mr. McDEVITT. It was against our policy, and we didn't want the unions to place ads in the book.

Mr. KENNEDY. And the solicitors or Mr. Lapensohn, they were able to tell the employers or these firms or companies that they were associated with the Pennsylvania Federation of Labor?

Mr. McDEVITT. They were authorized to tell them that they were representing us insofar as the advertisements were concerned.

Mr. KENNEDY. Were they authorized to send out letters over your signature?

Mr. McDEVITT. There was only one letter authorized by me, and that was merely to ask the president, or whoever the responsible official of that company was, for an interview.

Mr. KENNEDY. Now, I would like to tell you, Mr. McDevitt, that we have some information from various employers and firms indicating that they received a good number of letters from you that would go beyond making merely an appointment, and that they received telephone calls from you, for instance, from somebody who identified himself as you, asking for an appointment, or telling the recipient of the telephone call that it might be advisable as far as their labor relations were concerned for them to accept an interview from a member of your staff that would be around to see them.

Did you make such telephone calls?

Mr. McDEVITT. Never, under any circumstances, did I make one single telephone call in the State of Pennsylvania to any prospective advertiser.

Mr. KENNEDY. And the only letters that you wrote were the letters that went out to make appointments for these individuals?

Mr. McDEVITT. That is correct.

Mr. KENNEDY. Now, are these some of the letters?

Before the chairman presents those to you, you never actually signed these letters yourself, did you?

Mr. McDEVITT. I did not.

Mr. KENNEDY. The letters that went out were signed by someone else, with your signature being affixed?

Mr. McDEVITT. I assume it was.

Mr. KENNEDY. So you really were not aware of what was stated in the letter?

Mr. McDEVITT. The only letter that I am familiar with is the one that I authorized, that asked for an appointment.

The CHAIRMAN. I hand you here a letter dated January 12, 1948, addressed to Mr. C. A. Thomas, and it is on Pennsylvania Federation of Labor stationery, and apparently bears your name as the author of the letter, and a signature, and I ask you to examine it and state if you identify it. It is actually a photostatic copy of a letter.

(A document was handed to the witness.)

Mr. McDEVITT. No. I did not authorize such a letter.

(At this point, the following members were present: Senators McClellan and Church.)

The CHAIRMAN. Nor did you sign it?

Mr. McDEVITT. That is not my signature.

The CHAIRMAN. That letter may be made exhibit No. 32 for reference.

(The document referred to was marked "Exhibit No. 32" for reference, and may be found in the files of the select committee.)

The CHAIRMAN. You neither wrote the letter, authorized it, or signed it?

Mr. McDEVITT. That is correct.

The CHAIRMAN. Now I hand you a series of three letters on Pennsylvania Federation of Labor stationery. Each is addressed to Mr. D. M. Voitsberger, and the first is dated March 18, 1952; the second is March 20, 1952; and the third is March 26, 1953.

I ask you to examine those letters. They appear to represent you as the author, and appear to have signatures. Would you examine them and state whether you identify them?

(The documents were handed to the witness.)

Mr. McDEVITT. The letter of March 18, 1952, and that of March 20, 1952, were not authorized by me.

The CHAIRMAN. Let those two letters, then, be made exhibit No. 33, for reference.

Mr. McDEVITT. I didn't authorize the specific language in the letter of March 26.

The CHAIRMAN. What year?

Mr. McDEVITT. 1953.

The CHAIRMAN. Let the letters be made exhibits Nos. 33-A, B, and C. in their order.

(The documents referred to were marked "Exhibits Nos. 33-A, B, and C" for reference, and may be found in the files of the select committee.)

The CHAIRMAN. Did you sign any of those letters?

Mr. McDEVITT. I did not, sir.

The CHAIRMAN. You did not authorize any of the letters, as I understand you?

Mr. McDEVITT. There was one letter that we authorized, and that was a letter seeking an appointment. That, we did authorize, where they asked for an appointment for the representative of our yearbook.

The CHAIRMAN. Do you know the handwriting of the signatures that appear on these letters?

Mr. McDEVITT. No; I don't. I can't identify it, Senator.

The CHAIRMAN. You do not know who wrote them or who may have signed the name to them?

Mr. McDEVITT. No; I don't.

The CHAIRMAN. Would your secretary, the lady in your office? It appears to be a woman's handwriting. Would you recognize her signature?

Mr. McDEVITT. I am not too sure that I could tell, as against so many other signatures, but it would be my guess that that was not her signature.

The CHAIRMAN. You don't believe it to be? At this time, at least, you don't believe it to be her signature?

Mr. McDEVITT. I don't believe it to be, Senator; that is correct.

The CHAIRMAN. I am trying to ascertain, if you didn't authorize these letters or know anything about them, obviously, somebody was carrying on correspondence without your authority and using that as an imposition, possibly, upon the people who were contacted and to whom the letters were addressed.

Mr. McDEVITT. Senator, if I may add, there was only one letter authorized for his use, and that was a letter asking for an appointment for their representative on the yearbook.

The CHAIRMAN. Is that what the letter of March 26, 1953, says? I will read it. It says:

Sam Kirsch, of my staff, will call to see you within the next few days. The executive board of the Pennsylvania Federation of Labor and I will greatly appreciate your extending to him the usual courtesy. Thanking you in advance.

I see nothing wrong in that letter, if Kirsch was working for you.

Mr. McDEVITT. That is correct, excepting this, Senator, the only difference being that I authorized them saying that I would appreciate them giving them an interview. I did not include the executive council in my authorization for that letter.

The CHAIRMAN. It was just you saying that you would personally appreciate it?

Mr. McDEVITT. That is correct.

The CHAIRMAN. That is the only difference between this letter and what you authorized?

Mr. McDEVITT. That is correct.

(At this point, Senator Kennedy entered the hearing room.)

The CHAIRMAN. What is wrong with the other letters? How do they differ from what you may have authorized?

Mr. McDEVITT. Which other letter, Senator?

The CHAIRMAN. The other two there. You said the last one of March 1953. There are two there for the 18th or 20th of March in 1952, I believe.

Mr. McDEVITT. I said that I did not authorize the letter of March 18, 1952, nor did I authorize the letter of March 20, 1952.

The CHAIRMAN. What is there in those letters that is different than what you did authorize?

Mr. McDEVITT. The difference was the previous explanation I gave you with respect to asking for an interview.

The CHAIRMAN. They do say there that you personally would appreciate it, and the courtesies extended, don't they?

Mr. McDEVITT. Yes. We did not authorize the inclusion of the second paragraph:

We are in our 50th year in celebrating the good labor relationship which has existed between management and the American Federation of Labor.

I did not authorize that kind of a statement.

The CHAIRMAN. Is that the only way in which those letters depart from your instructions and your authorization?

Mr. McDEVITT. With respect to that particular one, that is correct.

The CHAIRMAN. All right; Mr. Counsel.

Mr. KENNEDY. Were they authorized in these letters to say:

Mr. Kirsch, of my staff, will be around to see you.

Mr. McDEVITT. No; not to use the words "my staff."

Mr. KENNEDY. In fact, Mr. Kirsch, Mr. Lapensohn, and the other individuals soliciting the ads were not really members of your staff, were they?

Mr. McDEVITT. No.

Mr. KENNEDY. Weren't they, in fact, working for a private company?

Mr. McDEVITT. That is correct.

(At this point, Senator McClellan withdrew from the hearing room.)

Mr. KENNEDY. I noticed that, in a couple of those letters, that you say, "Mr. Kirsch, of my staff." Had they been authorized to use those words?

Mr. McDEVITT. Not those words; no. Definitely not.

Mr. KENNEDY. All they were authorized to do was to make an appointment and have the letters signed by you?

Mr. McDEVITT. That is right.

Mr. KENNEDY. The letters were signed and written out of the office of Mr. Lapensohn; is that correct?

Mr. McDEVITT. That is correct.

Mr. KENNEDY. They were not written in your office?

Mr. McDEVITT. They were not written in Harrisburg, but written in Philadelphia.

Mr. KENNEDY. They were authorized to sign your signature to these letters as long as they limited them to an appointment?

Mr. McDEVITT. As long as they limited it to merely asking for an appointment.

Mr. KENNEDY. Hundreds and hundreds of these letters went out, and, as we will find out when we go into New York, the same procedure was followed in that State. We will find, in our study of other States, that the same kind of procedure was followed by the letter being signed by the head of the federation.

However, in many cases, these letters went far beyond mere appointment letters, and some of the letters are much stronger than these that have been shown to you. With this evidence brought to your attention, and the fact that we also have evidence that individuals made

telephone calls to employers and said that they were you, and you were going to send your secretary over to try to straighten out their labor difficulties, and then Mr. Kirsch would arrive and take an ad, do you feel that this not only was an imposition on the employer but also had an effect on the Pennsylvania Federation of Labor?

Mr. McDEVITT. I feel very definitely so.

Mr. KENNEDY. Had you known that these things were going on at that time?

Mr. McDEVITT. I did not have knowledge of it, Mr. Kennedy; no.

Mr. KENNEDY. Mr. McDevitt, in 1947 Mr. Lapensohn appeared before a House committee, or information regarding Mr. Lapensohn was made available to a House committee. Several witnesses appeared before the House committee and testified as to his activities of going around and shaking employers down with a Mr. Abe Goldberg, who was later involved with Mr. Johnny Dio, and a Mr. "Turk" Daniels, who was also a fairly well-known character in Philadelphia.

For instance, he requested a \$32,000 or \$36,000 payment, payoff, from a group of contractors who were planning to build some property and needed some help and assistance from a labor union. He demanded \$36,000 for himself. He was rather in the news at that time. That was after he had received the contract to go ahead with the Pennsylvania federation. I am wondering why you did not take some action at that time, when he was in the news, and end his contract, end his control over this very sensitive area.

(At this point, Senator McClellan entered the hearing room.)

Mr. McDEVITT. The answer to that, Mr. Kennedy, is that the incident you refer to is not quite as clear in my mind as it might be. I do recall, however, directing this to the attention of our general counsel. Whatever was done at that time was done on the advice of our counsel.

Mr. KENNEDY. I don't understand that.

Mr. McDEVITT. I say, when this incident occurred, the only remembrance I have of it is that I referred the matter to the attention of our general counsel, and I was guided by his direction. That is 11 years ago, Mr. Kennedy.

Mr. KENNEDY. I understand that. My question is directed to that period of time when this information was available. Mr. Lapensohn was then running this magazine. Why was action not taken by the Pennsylvania Federation of Labor at that time to end the connection with this individual who was obviously less than upstanding.

Mr. McDEVITT. My only answer to that is, from a bit of a hazy memory about it, is that I am under the impression that he was cleared of that and we hadn't any grounds to proceed against him on it.

Mr. KENNEDY. At that time, Mr. McDevitt, I believe it was produce dealers rather than contractors, but he was trying to shake them down for at least this \$36,000, and when they were trying to get hold of him at that time, he fled the jurisdiction. But Mr. Goldberg and Mr. "Turk" Daniels were indicted and were convicted in connection with their operation. The question would be why some action was not also taken against Mr. Lapensohn at that time, and why he was allowed to continue his relationship with the Pennsylvania Federation of Labor.

Mr. McDEVITT. Again, Mr. Kennedy, if he was not determined to be guilty, I am afraid it did not leave us much ground to proceed on.

The CHAIRMAN. Was he a member of the union?

Mr. McDEVITT. He was not a member to my knowledge, Senator.

The CHAIRMAN. He just had a contract with you?

Mr. McDEVITT. He had a contract with us.

The CHAIRMAN. For what period of time did he have a contract?

Mr. McDEVITT. That went from year to year. We could cancel it out at any time. He did not have a signed contract because if anything happened—

The CHAIRMAN. Then if you had any doubt about his character and methods of operation, you could have discharged him at any time; couldn't you?

Mr. McDEVITT. That is correct.

The CHAIRMAN. You don't have to wait until a man is actually convicted of crime in order to form some opinion as to his qualities; do you?

Mr. McDEVITT. Not necessarily.

The CHAIRMAN. Now if you had reports that a man was engaged in practices like that and had a contract, working for you, soliciting people that your union has contracts with, wouldn't you have some concern about his character and the kind of representation he was making when he contacted these people?

Mr. McDEVITT. I surely would, Senator.

The CHAIRMAN. Go ahead, Mr. Counsel. I am trying to find out about this.

Senator Church.

Senator CHURCH. Mr. Kennedy, it is not clear to me, but could you explain to me what the relationship between Mr. Lapensohn and Mr. Goldberg was, what their connection was with one another?

Mr. KENNEDY. If you know any further facts, Mr. McDevitt, you correct me.

Senator, Mr. Lapensohn was operating the Pennsylvania Federationist. One of the things that he did was to hire Mr. Goldberg and Mr. "Turk" Daniels as solicitors for him. They would go around to some of the producers and then tell them that if they took an ad or made these payments they would no longer have trouble with local 929 of the Teamsters Union, which was the union that had control over the produce dealers.

Beyond that, a group of the produce dealers had gotten together and wanted to erect a new building. He went to them and told them that—

Senator CHURCH. He, meaning Mr. Goldberg?

Mr. KENNEDY. No, Mr. Lapensohn. He went to them and said that in order to build the building and have it effective, they would have to have good labor relations, and if they each got together and paid him \$250, which would be a total of around \$36,000, if each one of them paid the \$250, they would not have difficulties with local 929.

Senator CHURCH. May I ask then what followed subsequently? Were Goldberg and Daniels indicted?

Mr. KENNEDY. The House committee that was looking into it tried to get hold of Mr. Lapensohn, and Mr. Lapensohn fled the jurisdiction. They were unable to get him. The district attorney, I believe,

then investigated the matter, and indicted Mr. Goldberg and Mr. "Turk" Daniels on this and other matters. They were also shaking down the produce dealers independently.

Senator CHURCH. Were Mr. Goldberg and Mr. Daniels convicted?

Mr. KENNEDY. They were.

Senator CHURCH. Mr. Lapensohn was never charged, indicted, or convicted?

Mr. KENNEDY. That is correct.

Senator CHURCH. Mr. McDevitt, there are one or two questions I would like to direct to you. You say you had a contract with Mr. Lapensohn. Under the terms of that contract, he was entitled to 60 percent of the money that was paid for the advertisements in the magazine, and the union was entitled to 40 percent. Had you discharged Mr. Lapensohn, could that have given rise—that is, had you discharged him and a question might have ensued as to the propriety of the discharge under the contract—could that have given rise to a suit against the union for breach of contract and for damages?

Mr. McDEVITT. I think it could.

Senator CHURCH. So this is one of the reasons that you referred the matter to the general counsel?

Mr. McDEVITT. I didn't feel qualified, Senator, to pass on it myself. It was a legal matter and that was my reason for referring it to the general counsel.

The CHAIRMAN. When did this occur?

Mr. KENNEDY. I believe 1947.

Mr. McDEVITT. 1947, as the record goes here.

The CHAIRMAN. As I understood it, your contract with him was from year to year.

Mr. McDEVITT. That is correct.

The CHAIRMAN. Was it written?

Mr. McDEVITT. There was a written exchange between his office and ours with respect to the conditions, but it was not a signed contract, on the advice of our general counsel.

The CHAIRMAN. Thereafter, then, for 6 years, you renewed the contract with him?

Mr. McDEVITT. That is correct.

The CHAIRMAN. All right.

Mr. KENNEDY. I might just say, and this has nothing to do with this witness, the counsel of that committee, Mr. Chairman, was Hyman Fishback, who was involved in the Cheasty matter and Mr. Hoffa.

We went into this matter somewhat, in the House committee records, and we went to the House committee to obtain some of the documents, the exhibits, and they were all missing. We got hold of the accountant for Mr. Lapensohn and went through some of his personal records and found all the exhibits from the House committee in his own personal records, dealing with all of these matters.

Senator KENNEDY. Do you know how they got there?

Mr. KENNEDY. No. I just wanted to point out that Mr. Fishback was the counsel.

The CHAIRMAN. Do you mean he was counsel for the committee that had procured the documents?

Mr. KENNEDY. He was counsel of the House committee that was investigating, and then all these documents that belonged to the House of Representatives ended up in Mr. Lapensohn's file.

The CHAIRMAN. All right.

Senator KENNEDY. As I understand it, Mr. Lapensohn does not have any connection now with any labor organization in Pennsylvania or with a national organization, and has had none for some time?

Mr. McDEVITT. None to my knowledge.

Senator KENNEDY. I looked over this speech of George Meany's to the International Labor Press Association, December 2, in Atlantic City, in which he said:

So newspapers, magazines, books, and everything else that we have in the trade union movement is subject to the same test as every other activity. The purpose of welfare funds is to provide for the welfare of the trade union members, either at time of sickness or distress or time of retirement. The same thing is true of a trade union paper, to serve the interests of the members.

Then he said:

Most of these yearbooks carry advertisements, and I know in a good many cases they are run honestly and decently, and the advertising is the proper advertising, in other words; as a matter of fact, it is subscribed to by employers who employ members of our union, and thus advertising is secured in an honorable and decent way. On the other hand, we all know there are those types of books where the advertising in the book is of prime interest.

What goes on in the book outside of the advertising is of very little importance. The methods used to secure the advertising are those that we do not approve and no one could approve. And still these books go on year after year.

I think Mr. Meany is expressing the viewpoint of responsible trade union people. I think this happens not only in the union movement but it happens in a lot of other organizations—veterans' organizations, manufacturers' organizations and all the rest, and political organizations as well—that because abuse of these yearly books where pressure of one kind or another is put on people to take advertising even where there is no gain.

After all, we in politics get letters every day. I think it is most important that the leadership of the AFL-CIO and other groups consider carefully and review these books, and make sure that what happened in this case, in the Lapensohn case, were obviously operated in his best interests, in the form of shakedowns, that that does not occur in the areas where the trade unions have responsibility. I gather from Mr. Meany's speech that that certainly is his view.

I am sure after this matter was brought to your attention it is certainly your view.

This is a definite responsibility. The reputation of the federation becomes involved, and, therefore, even though people are busy with other matters, I am hopeful that they will keep a careful eye on these books and make sure that something comparable to this does not happen in other areas.

Is that the view as you understand it?

Mr. McDEVITT. I am sure those steps have been taken, Senator. The president of the American Federation of Labor and the Congress of Industrial Organizations has discouraged the use of advertising where it was possible for us to avoid it.

Senator CHURCH. Mr. McDevitt?

Senator KENNEDY. I have one more question. I think it is particularly unfortunate when the names of union officials are brought in to give an endorsement to this action, when they are brought in without the knowledge of the union official. Isn't that your view?

Mr. McDEVITT. That is my view, and if I had had any knowledge of it, I would have gone to our executive council and had his contract canceled immediately.

Senator KENNEDY. I think that these contracts where they are given 60 percent and the federation gets 40 percent, and you have an organization with a high reputation, and also which has extensive influence, that that is not a satisfactory way, I would not think, to permit them to operate in any field, including labor. I think that subjects them to too much temptation when you divide the funds. It would be better to pay them the fee and let them do it, rather than the percentage split, which opens the door to abuse, which I think is what happened in this case.

Mr. McDEVITT. There is no question about it. But at the time we secured their services, none of these advertising agencies would accept it under any other basis. That is, they would not take it other than on a fee basis.

Senator CHURCH. Mr. McDevitt, in 1953 when you discontinued the use of this yearbook, what was the reason for the discontinuance at that time?

Mr. McDEVITT. The primary reason was the one we expressed so often all through the records of the federation itself, both in convention and more particularly in the executive council sessions. We were seeking some way of increasing the per capita tax in order that we might avoid the necessity for printing the yearbook. There was serious efforts made to get away from the necessity of that yearbook.

Senator CHURCH. And when you were successful in increasing the per capita tax, then you discontinued use of the yearbook, is that correct?

Mr. McDEVITT. That is correct.

(At this point, Senator Kennedy withdrew from the hearing room.)

Senator CHURCH. With your widespread knowledge of union affairs throughout the country, do you know whether the practice of publishing yearbooks of this kind on a contract basis is a practice that is flourishing and continuing to grow in the union movement, or is it one that is dying out?

Mr. McDEVITT. I would say that it is pretty well diminishing now.

Senator CHURCH. At the time, then, that you discontinued the publication of your own yearbook in Pennsylvania, it was not because any information had come to you with regard to the solicitation methods of Mr. Lapensohn, but because other sources of funds were now available to the union?

Mr. McDEVITT. That was the primary reason. But no matter how we looked at it, there is always the risk of some of these unpleasant incidents occurring, and they were always uppermost in our minds and we discussed it. Rather than run the risk, we were most happy to get away from it as soon as we could get sufficient funds.

Mr. KENNEDY. Mr. Chairman, I would just like to point out in fairness to Mr. McDevitt, that from the study that we have made, the practice and procedure that was followed in Pennsylvania has been followed in many States. Where you have a dishonest group that is operating the magazine, they have freely used the name of the officials for purposes of obtaining ads, and this, we have found,

was unknown to these union officials. When anything such as this was made known to them, they took steps to end the practice and procedure.

Of course, as Mr. McDevitt points out, this, in Pennsylvania was ended back as far as 1953.

In that connection, in Mr. Meany's speech, he points out here an incident that occurred where someone called and said that they were George Meany or a representative of George Meany's office, who called an employer, I guess within the last year or so, and told the employer that he should take an ad if he wished to have good labor relations. We will find from witnesses that will follow Mr. McDevitt, that this was a procedure used actively in Pennsylvania, that people would call and say they were Mr. McDevitt or send letters out and say they were Mr. McDevitt, trying to obtain ads.

The CHAIRMAN. Are there any further questions? If not, thank you very much, Mr. McDevitt.

Call the next witness.

Mr. KENNEDY. Burnet Landreth.

The CHAIRMAN. Do you solemnly swear the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. LANDRETH. I do, sir.

TESTIMONY OF BURNET LANDRETH III

The CHAIRMAN. Be seated. State your name, your place of residence, and your business or occupation.

Mr. LANDRETH. My name is Burnet Landreth III. I live at 212 West Highland Avenue, Chestnut Hill, Philadelphia. I am vice president and secretary of Penn's Manor, Inc. Unless you want to begin asking questions immediately, Senator, perhaps a letter which I wrote to the Better Business Bureau of Philadelphia will summarize it.

The CHAIRMAN. Let us get a little further information. What is the business of Penn's Manor?

Mr. LANDRETH. We are wholesale distributors of garden supplies in the Philadelphia area.

The CHAIRMAN. All right, Mr. Counsel, you wanted to ask a question before we get to the letter.

Mr. KENNEDY. How many employees do you have?

Mr. LANDRETH. It varies from time to time, seasonally, but it seldom exceeds 25.

Mr. KENNEDY. Are you organized or unorganized?

Mr. LANDRETH. We are unorganized, Mr. Kennedy.

Mr. KENNEDY. Your employees are not members of any union?

Mr. LANDRETH. No; they are not.

Mr. KENNEDY. Did you receive a letter on April 29, 1952?

Mr. LANDRETH. We did.

Mr. KENNEDY. Purportedly coming from Mr. James L. McDevitt?

Mr. LANDRETH. Well, it bore that signature.

The CHAIRMAN. Is this the letter that you received, or a photostatic copy of it?

Mr. LANDRETH. That is the letter, sir, and I have the original here.

The CHAIRMAN. That is a photostatic copy of it?

Mr. LANDRETH. Yes, sir.

The CHAIRMAN. That letter may be made exhibit No. 34 for reference.

(Document referred to was marked "Exhibit No. 34" for reference and may be found in the files of the select committee).

Mr. KENNEDY. That letter stated that Mr. McDevitt was sending Mr. Kirsch around to see you?

Mr. LANDRETH. That is correct.

Mr. KENNEDY. Or someone signing Mr. McDevitt's name stated that?

Mr. LANDRETH. That is correct.

Mr. KENNEDY. What action did you take at that time?

Mr. LANDRETH. At that time, being considerably at sea about it, we didn't do anything. Eventually, Mr. Kirsch arrived. After a rather unpleasant interview with Mr. Kirsch, and another man who represented himself as Mr. McDevitt's secretary, we wrote immediately following that interview a full report to the Philadelphia branch of the Better Business Bureau, asking whether or not they had had similar reports from other organizations. We were told that they had.

Mr. KENNEDY. Now, do you have a copy of the letter that you wrote to the Better Business Bureau?

Mr. LANDRETH. I do.

Mr. KENNEDY. Did that set forth the contact that you had had with Kirsch and this other individual who described himself as Mr. McDevitt's secretary?

Mr. LANDRETH. It gave the complete story, written at the time that it occurred.

Mr. KENNEDY. Now, would you read those paragraphs that bear on what occurred at the interview so that the committee can understand that?

The CHAIRMAN. Do you have a copy of the letter?

Mr. LANDRETH. I have a copy. Shall I include that?

The CHAIRMAN. If you supply it, the whole copy of the letter may be made exhibit No. 35 and you may read excerpts from it.

(Document referred to was marked "Exhibit No. 35" for reference and may be found in the files of the select committee.)

Mr. LANDRETH. The letter was very brief and it simply said:

DEAR MR. LANDRETH: An important matter has developed with the Pennsylvania Federation of Labor, and I have asked Sam Kirsch of my staff to see you personally within the next few days.

Thanking you for this courtesy, I am

Very truly yours,

JAMES L. McDEVITT, *President.*

Following that, we wrote the better business bureau, as I am about to read:

On Tuesday, May 6, we learned what the important matter really was. Sam Kirsch and another man representing himself as the private secretary to McDevitt arrived in a brand new 1952 Cadillac.

I may remind you that that was quite something then; it was 1952.

Kirsch came into the office while the other man stayed with the car. They were soliciting advertisements in a slick-paper book of about 50 pages of large size.

Kirsch admitted frankly, and, in fact, he volunteered the information, that the ads were of no value at all, but stated that we should take a minimum space to show our good will toward the unions.

I told him of my conversation with the better business bureau—

and this was a telephone conversation to which I referred—

and of the letter that you said you had had from George Meany, the national secretary-treasurer of the AFL, in which he disavowed all advertising of such nature.

Kirsch flatly denied that any such letter existed, and all but called me a liar, and in very heated terms. He then stated that money from the ads would be used to pay for scholarships at Pennsylvania Penn State College in the name of Labor's League for Political Education.

I countered this with the statement that I had been informed that Labor's League had at one time had a Communist fringe element, and that at one time at least it had been reportedly on the State Department's suspect list.

Kirsch said immediately "Don't call me a Commie. I am just as good an American as you are." I, of course, denied having said anything at all to indicate he was a Commie, and I demanded that he not put words in my mouth.

Kirsch then cooled down, and said that even if Labor's League did have a Commie influence, it was still doing a fine job in labor relations, and displayed 8 by 10 glossies of classes at Penn State with the official Penn State rubber stamp on the back of them.

The alleged secretary of McDevitt was then called in by Kirsch to bolster his argument. They displayed tabloid newspapers published in various cities by the AFL, all seemingly the same except for the individual mastheads, and each copy of which featured a photograph of McDevitt meeting with an official of Labor's League for Political Education.

I said that I was not particularly impressed by this type of tie-in with Labor's League.

The small plump man who said he was McDevitt's secretary, then took me by the arm and suggested that we go outside the office for a few quiet words. I went out with him and again stated that we were not interested in giving a donation. He then accused me of being antagonistic to labor. This I denied, but I pointed out that we were a small nonunion shop, we weren't particularly in contact with unions.

He therefore said that those who weren't for labor to the extent of a donation were against labor.

By this time Kirsch left the office and joined us outside in the warehouse. The two of them went to work in earnest and they insisted that labor was a friend to all, and that if people knew what was good for them, they had better be a friend of labor.

When I politely insisted that we were not interested in subscribing, I was told that in the future our trucks would not be allowed to either load or unload at any union platform anywhere on the east coast or elsewhere.

I then asked how it was that we had had no trouble in more than 30 years of business, and the reply was, the unions did not know about us in the previous 30 years, but now we do know that you're no friends of labor.

I plainly and to his face called this an attempted shakedown and a low form of attempted blackmail. Mr. McDevitt's secretary then edged toward the door and shouted over his shoulder, "You can call it anything you like, but from now on just try to unload at any one of our platforms."

Kirsch on leaving called over his shoulder "Tell this one to Hugh Smith."

He was at that time secretary of the Philadelphia Branch of BBB.

"and just see how much help you will be able to get from him and his organization." They then told me that we will be officially blacklisted. As a matter of fact, our firm has no particular feeling one way or the other about labor as such, we are too small to really interest the unions, and few of our people have earlier worked in unionized plants.

We like our people and they like us. If the foregoing is any sample of the way organized labor operates, it is certainly gaining no converts here.

That is the end of the letter.

The CHAIRMAN. I hand you here the letter from Mr. George Meany to Mr. Hugh Smith, general manager, Better Business Bureau of Philadelphia, dated April 15, 1952. I ask you to examine this and state if you recognize it or identify it.

(A document was handed to the witness.)

Mr. LANDRETH. This is a copy of a letter which Mr. Hugh Smith sent to us, and I imagine to all other people who contacted the better business bureau.

The CHAIRMAN. Who sent it to you, Mr. Smith?

Mr. LANDRETH. Mr. Smith, and it later was made a part of one of the better business bureau bulletins that they send out to subscribers.

The CHAIRMAN. Obviously, Mr. Meany, when he found out this was going on—

Mr. LANDRETH. He backtracked or he disavowed it.

The CHAIRMAN. He didn't backtrack, if he hadn't already tracked. So what he did was to repudiate it and denounce it.

Mr. LANDRETH. Yes, sir.

The CHAIRMAN. That is correct, isn't it?

Mr. LANDRETH. That is correct.

The CHAIRMAN. That may be made exhibit No. 36.

(Document referred to was marked "Exhibit No. 36," for reference and may be found in the files of the select committee).

Mr. KENNEDY. Now, would you like to read this last paragraph, Mr. Chairman, of Mr. Meany's letter.

The CHAIRMAN. Mr. Meany concluded his letter, which is now exhibit No. 34, as follows:

We wish to inform you and we hope you will pass along the information to the businessmen in your community, the American Federation of Labor does not accept paid advertising in any of its publications.

No one is authorized to solicit advertising in the name of the American Federation of Labor for any publication.

That is the last paragraph of the letter which you just identified?

Mr. LANDRETH. Yes, sir.

Mr. KENNEDY. So you took no ad?

Mr. LANDRETH. We took no ad.

Mr. KENNEDY. Did you have any visits from these individuals again?

Mr. LANDRETH. No, but shortly thereafter we had a similar letter to the first one, except this instead of mentioning Sam Kirsch, at this time it mentioned James Wooster of my staff, and as far as any of us can recall Mr. Wooster never appeared.

Apparently the word of that first interview with Kirsch reached whoever was in charge of these gentlemen, and he did not show up.

Mr. KENNEDY. And did you have any difficulties with the labor unions after that?

Mr. LANDRETH. We did, but I do not believe it had any connection at all. That was a couple of years later, the local Teamsters tried to organize us, and did not succeed.

Mr. KENNEDY. But immediately after that you had no difficulties with the unions?

Mr. LANDRETH. No, and we had no difficulties. Even during the time that they tried to organize us and put a picket line around us, we still received stuff through friendly union drivers who dumped it off a mile or so away and our own trucks picked it up.

Mr. KENNEDY. And you had no evidence, as I understand it, at the time other than what this individual said, that he was in fact working for McDevitt, is that correct?

Mr. LANDRETH. That is correct. We have had no repercussions at all.

The CHAIRMAN. Is there anything further?

Senator CHURCH. I have one question, please.

just so that the record may be complete, the specific threats that were used in the course of the interview that you would find it difficult to use labor platforms to load and unload your merchandise, and the other specific statements that were made in the nature of threats if you didn't take an advertisement—you never encountered any difficulty of this kind?

Mr. LANDRETH. None whatever.

Senator CHURCH. That is all.

Mr. LANDRETH. Thank you.

Mr. KENNEDY. Mr. Voitsberger.

The CHAIRMAN. Do you solemnly swear that the evidence, given before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. VOITSBERGER. I do.

TESTIMONY OF DeFOREST M. VOITSBERGER

The CHAIRMAN. State your name, and your place of residence, and your business or occupation.

Mr. VOITSBERGER. My name is DeForest M. Voitsberger, and I live at 100 North Concord Avenue, Habertown, and I am vice president and comptroller of the S. S. White Manufacturing Co.

The CHAIRMAN. What does it manufacture?

Mr. VOITSBERGER. Dental equipment and supplies.

The CHAIRMAN. All right, proceed.

Mr. KENNEDY. You are the largest dental manufacturing company in the country, isn't that correct?

Mr. VOITSBERGER. Yes, sir.

Mr. KENNEDY. And you have approximately 400 employees?

Mr. VOITSBERGER. In Philadelphia, yes.

Mr. KENNEDY. Out of those 400 employees, only about 40 of them are in a union, is that right?

Mr. VOITSBERGER. No, I would say about 165. The 40 are at our headquarters, and a small factory in Philadelphia is organized.

Mr. KENNEDY. You have 400 including that small factory?

Mr. VOITSBERGER. That is right.

Mr. KENNEDY. About 165 of them are organized?

Mr. VOITSBERGER. Yes, sir.

Mr. KENNEDY. In what unions are they?

Mr. VOITSBERGER. The 40 at our headquarters are the Teamsters and Warehousemen, and our Frankfort factory is a federal union, an independent.

Mr. KENNEDY. Only 40 of your employees are actually members of a union which is affiliated with the AFL or CIO?

Mr. VOITSBERGER. That is right, in Philadelphia.

Mr. KENNEDY. I am talking about just Philadelphia. All of the other employees that are members of a union are members of an independent union, a union independent from the AFL-CIO?

Mr. VOITSBERGER. That is right.

Mr. KENNEDY. And yet you received a letter which purported to come from Mr. McDevitt, in 1948, did you not?

Mr. VOITSBERGER. Yes, I believe we did.

Mr. KENNEDY. That was on January 8, 1948.

The CHAIRMAN. I hand you a photostat copy of a letter dated January 8, 1948, addressed to you and purported to be from Mr. James L. McDevitt. Will you examine it and state if you identify it, please?

(A document was handed to the witness.)

Mr. VOITSBERGER. Yes, sir.

The CHAIRMAN. It may be made exhibit No. 37.

(Document referred to was made exhibit No. 37 for reference and may be found in the files of the select committee.)

Mr. KENNEDY. Do you know if Mr. Kirsch in fact came by to see an official of your company?

Mr. VOITSBERGER. Yes, he did.

Mr. KENNEDY. Did he see you?

Mr. VOITSBERGER. Yes, sir; he did each year.

Mr. KENNEDY. Each year?

Mr. VOITSBERGER. Yes.

Mr. KENNEDY. Did he come by in 1948?

Mr. VOITSBERGER. Well, that was prior to the time that I became a member of our labor negotiating committee but he did see Mr. Thomas.

Mr. KENNEDY. At that time, after he had the interview with Mr. Thomas, you paid \$125, is that right, to the Pennsylvania Federationist?

Mr. VOITSBERGER. That is right.

Mr. KENNEDY. You received a letter purportedly coming from Mr. McDevitt, thanking you for that contribution?

Mr. VOITSBERGER. That is correct.

Mr. KENNEDY. Now, when was the first time that you met Mr. Kirsch? Was that 1950?

Mr. VOITSBERGER. It was 1950.

Mr. KENNEDY. He came to see you and could you tell the committee or relate to the committee what occurred during that conversation?

Mr. VOITSBERGER. At the time that Mr. Kirsch came to see me, he had said that he had received an ad from my predecessor and that he would like to continue the advertisement. At that time realizing that it didn't mean very much as far as our labor relations were concerned, I stalled him off for a while, but he was so persistent in telephoning and coming into our office and phoning me from our reception desk that I ultimately went along the same as my predecessor, although in later years I cut the amount down as far as the size of the ad and the amount of the contribution.

Mr. KENNEDY. How much did you take the first year, 1950?

Mr. VOITSBERGER. I think it was the same as the prior year, \$125. I don't have my records with me.

Mr. KENNEDY. You took, I believe, \$125, and then it ranged after that from \$150 to \$60?

Mr. VOITSBERGER. Yes, sir.

Mr. KENNEDY. Now, did he explain to you at that time that the people behind the Pennsylvania Federationist could perform services for you in your labor relations?

Mr. VOITSBERGER. He said to me each time that if we ever had any trouble with any of our unions, that they would be very happy to come in and settle the differences. I realized at that time that he didn't know what he was talking about, because our largest unions are not in Philadelphia, and we settle with our large unions and all of the other unions fall in line.

Mr. KENNEDY. But he told you that?

Mr. VOITSBERGER. He did tell me that he would help in case we had any trouble.

Mr. KENNEDY. Now, you paid him the \$120 and did you actually put an ad?

Mr. VOITSBERGER. Yes, sir.

Mr. KENNEDY. You had an ad in every year?

Mr. VOITSBERGER. Yes, sir.

Mr. KENNEDY. And it appeared there under your name?

Mr. VOITSBERGER. Under our name.

Mr. KENNEDY. What was the reason that you did pay? Was it in order to insure that you would not have any labor difficulties?

Mr. VOITSBERGER. That was one of the basic reasons.

Mr. KENNEDY. You felt that you might have problems with the labor unions unless you did?

Mr. VOITSBERGER. That is true.

The CHAIRMAN. You mean you were trying to buy peace in anticipation of difficulties?

Mr. VOITSBERGER. We were trying to close any avenue and we were having difficulty in those early 1950's, and we thought for the small amount involved that it might help us.

The CHAIRMAN. It might prove to be a good investment?

Mr. VOITSBERGER. It might prove to be a good investment.

Mr. KENNEDY. Did you take the money that you paid out of your advertising budget or out of a different budget?

Mr. VOITSBERGER. Rather out of our donation budget, and not advertising because the advertisements wouldn't help us, and the public does not buy our goods.

Mr. KENNEDY. Would you have contributed if you knew that the AFL was only receiving 40 percent out of this amount?

Mr. VOITSBERGER. No, sir, we would not have.

Mr. KENNEDY. Did Mr. Kirsch say that your taking this ad would help and assist the labor movement?

Mr. VOITSBERGER. Exactly.

Mr. KENNEDY. Did he say anything about the fact it would help educate children or anything?

Mr. VOITSBERGER. I don't recall that, but he made the statement that friends of labor advertised in this particular Federation journal.

(At this point, the following members were present: Senators McClellan, Church, and Curtis.)

Mr. KENNEDY. You did not realize that he was on a commission basis?

Mr. VOITSBERGER. No; I did not. I suspected it, but I didn't know it.

The CHAIRMAN. You said you would not have taken it if you had known he was getting 60 percent.

Mr. VOITSBERGER. I would not have.

The CHAIRMAN. Now you say you suspected he was.

Mr. VOITSBERGER. I suspected it. I knew that he must have been getting a commission. Otherwise, he wouldn't do it, but I figured in my own mind it was probably 10 percent.

The CHAIRMAN. Senator Church?

Senator CHURCH. No questions.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. No questions.

Mr. KENNEDY. There is one other matter that I wish to touch on.

Were you aware of the fact that Mr. Kirsch's magazine changed after 1953?

Mr. VOITSBERGER. No, sir.

Mr. KENNEDY. Did you continue to contribute up until—what, 1956 or 1957?

Mr. VOITSBERGER. I think 1957.

Mr. KENNEDY. Were you aware that you were no longer contributing to the Pennsylvania Federationist?

Mr. VOITSBERGER. No; I was not.

Mr. KENNEDY. That the Pennsylvania Federationist had in fact gone out of business?

Mr. VOITSBERGER. I did not know that.

Mr. KENNEDY. And that Mr. Kirsch had started a new magazine of his own, and in fact your money was going to a new magazine called the Pennsylvania Labor Journal?

Mr. VOITSBERGER. I did not know it.

The CHAIRMAN. Did you not receive copies of the magazine?

Mr. VOITSBERGER. We received copies, but it was a big thing. I never had time to look at it except to make sure that for the money we gave them, our ad was in there with our name in it. That was all.

The CHAIRMAN. You made no inquiry as to its actual tie-in with the federation?

Mr. VOITSBERGER. No, sir.

Mr. KENNEDY. Mr. Chairman, that is what actually happened, that after 1953, the money that Mr. Voitsberger then gave to the magazine went, in fact, to Mr. Kirsch's new magazine, the Pennsylvania Labor Journal, as the Pennsylvania Federation magazine went out of business.

The CHAIRMAN. No part went to the labor organization?

Mr. KENNEDY. No; this was affiliated with another labor organization, the Pittsburgh Central Labor Union.

Senator CHURCH. Mr. Voitsberger, after 1954, when the Pennsylvania Federation terminated its contract and went out of the business of publishing this yearbook, did Mr. Kirsch come to see you relative to the ads that you placed in the magazine after 1954 each year?

Mr. VOITSBERGER. Yes; each year.

Senator CHURCH. Did he continue to represent to you in the later meetings that he had with you that he was still representing a fed-

eration, and that the magazine was still being published by the federation?

Mr. VOITSBERGER. I assumed so. I don't exactly recall. I remember one time that he said something about moving to Pittsburgh, and that is why there was a change in the magazine.

Senator CHURCH. Do you recall that he ever told you that the magazine was now representing a local or a Pittsburgh union?

Mr. VOITSBERGER. No; I do not recall that.

Senator CHURCH. Do you think you would have continued to place ads in it had this been called to your attention?

Mr. VOITSBERGER. I think it became a habit with us, starting back in the late 1940's, and we thought it was——

Senator CHURCH. So you continued it each year?

Mr. VOITSBERGER. Yes. It was more of a nuisance to have him telephone and come to see me, when we didn't have really the time to see him. We passed the checks on to him.

The CHAIRMAN. Did you receive something from Mr. Kirsch when he solicited your contribution or your ad? Did he give you some kind of a card?

Mr. VOITSBERGER. Yes; there was a card. Usually I signed a blank which was a contract, to take a certain ad. But originally I think a card came into us with rates on it.

The CHAIRMAN. With the rates on it?

Mr. VOITSBERGER. That is right.

The CHAIRMAN. I hand you here what purports to be a photostatic copy of one of those cards. Would you examine it and state if you identify it?

(The document was handed to the witness.)

Mr. VOITSBERGER. Yes, sir; that is the card.

The CHAIRMAN. What does it say about commissions?

Mr. VOITSBERGER (reading:)

No agency or salesman commission paid.

The CHAIRMAN. Did you ever notice that before?

Mr. VOITSBERGER. No. No; I did not.

The CHAIRMAN. All right. That may be made exhibit 38.

(The document referred to was marked "Exhibit No. 38" for reference and will be found in the appendix on p. 11172.)

Mr. KENNEDY. So, Mr. Chairman, at least Mr. Kirsch and Mr. Lapensohn were operating, and were operating as we have seen so far, on a company that was completely nonunion, and then Mr. Voitsberger, who had a very small percentage of his employees that were union, and then the third thing is he was telling them or informing them, as far as Mr. Voitsberger was concerned, that no commission was being paid to solicitors, which, in fact, was untrue.

The CHAIRMAN. Are there any further questions?

Mr. KENNEDY. That is all.

The CHAIRMAN. Thank you very much. Call the next one.

Mr. KENNEDY. Mr. Farr.

The CHAIRMAN. Do you solemnly swear the evidence you shall give before this Senate select committee shall be the truth, the whole truth and nothing but the truth, so help you God?

Mr. FARR. I do.

TESTIMONY OF ASA H. FARR

The CHAIRMAN. State your name, your place of residence, and your business or occupation.

Mr. FARR. My name is Asa H. Farr. I live at rural delivery 1, Belle Meade, N. J. I am vice president of the Kingston Trap Rock Co.

The CHAIRMAN. Vice president of the Kingston Trap Rock Co.?

Mr. FARR. Yes, sir.

The CHAIRMAN. What does that do? Does it manufacture something?

Mr. FARR. We quarry trap rock and are also in the construction business, Senator.

The CHAIRMAN. How many employees do you have?

Mr. FARR. Approximately 400.

The CHAIRMAN. Altogether?

Mr. FARR. Yes, sir.

The CHAIRMAN. Did you have approximately that number back in 1950, 1952, or 1953?

Mr. FARR. I think so, Senator. Some place in that range.

The CHAIRMAN. In that neighborhood?

Mr. FARR. Yes, sir.

The CHAIRMAN. All right, Mr. Kennedy.

Mr. KENNEDY. Mr. Farr, your employees were primarily members of the Operating Engineers, is that right?

Mr. FARR. Operating Engineers and Teamsters, sir.

Mr. KENNEDY. All of your employees are organized members of labor?

Mr. FARR. Yes, sir.

Mr. KENNEDY. And in 1952, the latter part of 1952, did you receive a telephone call which purportedly came from Mr. James L. McDevitt, president of the Pennsylvania Federation of Labor?

Mr. FARR. I did, sir.

Mr. KENNEDY. What did this individual that called say to you in the telephone conversation?

Mr. FARR. That he would like to arrange an appointment for a Mr. Kirsch; that he understood that we had been having a little difficulty in unloading some trucks, and he thought that if we would give Mr. Kirsch an opportunity to talk with us, that our problem could be eased.

Mr. KENNEDY. He identified himself as Mr. McDevitt and president of the Pennsylvania Federation of Labor?

Mr. FARR. Yes, he did.

Mr. KENNEDY. He said to you that he would like to make an appointment to see a Mr. Kirsch?

Mr. FARR. That is right.

Mr. KENNEDY. And that he understood you were having some labor difficulties in unloading some trucks, is that right?

Mr. FARR. That is right, sir.

Mr. KENNEDY. And that he thought that those labor difficulties could be eased up?

Mr. FARR. That is right, sir.

Mr. KENNEDY. Did you agree at that time to see Mr. Kirsch?

Mr. FARR. Yes, I did, sir.

Mr. KENNEDY. Would you speak up a little louder, please? Were you in fact having labor difficulties at that time as far as the unloading of your trucks?

Mr. FARR. Not in the unloading of our trucks, Mr. Kennedy. We employ or engage independent truckers. They are either individually owned or small owners that have 2, 3, or 4 trucks. The most of them are not members of any union. We had hired them to haul stone into Pennsylvania.

We were building the roads for the Fairless works of the United States Steel Co. The shop stewards were refusing to permit the non-union truckers to come on to the job and unload their materials unless they joined the union.

Mr. KENNEDY. So at that time, you were having difficulty with the unloading of the trucks, although these were independent contractors doing the work?

Mr. FARR. That is right.

Mr. KENNEDY. And the shop stewards refused to allow the trucks to be unloaded because they were being driven by nonunion drivers.

Mr. FARR. That is right, sir.

Mr. KENNEDY. And you received this telephone call. Did Mr. Kirsch in fact come by to see you?

Mr. FARR. Yes, he did, sir.

Mr. KENNEDY. And you had a conversation with him about the situation?

Mr. FARR. Yes, sir.

Mr. KENNEDY. Did he tell you at that time that if you made a donation to the Pennsylvania Federationist, he felt that your difficulties could be——

Mr. FARR. That if we took an ad in this publication, he felt that our difficulties might be eased.

Mr. KENNEDY. Did you then in fact take an ad?

Mr. FARR. Yes, we did, sir.

Mr. KENNEDY. How much did you give at that time?

Mr. FARR. \$1,000.

Mr. KENNEDY. You made a check out?

Mr. FARR. That is right, sir.

Mr. KENNEDY. To whom did you make the check payable?

Mr. FARR. I think to the Federation of Labor.

Mr. KENNEDY. The Pennsylvania Federation of Labor?

Mr. FARR. I think so, sir.

The CHAIRMAN. I hand you a photostatic copy of the check and ask you to examine it. State if you identify it.

(The document was handed to the witness.)

Mr. FARR. That is the check, or a copy of it, Senator.

The CHAIRMAN. A photostatic copy of it. It may be made exhibit No. 39.

(The document referred to was marked "Exhibit No. 39" for reference, and will be found in the appendix on p. 11173.)

Mr. KENNEDY. Did you take an ad in the magazine?

Mr. FARR. Yes, we did, sir.

Mr. KENNEDY. Did you actually have an ad in the magazine?

Mr. FARR. I understood that there was an ad in it.

Mr. KENNEDY. Did Mr. Kirsch come back and see you afterward, later on?

Mr. FARR. Yes, sir, the next year.

Mr. KENNEDY. During that period of time, had you had any labor difficulties?

Mr. FARR. No, sir.

Mr. KENNEDY. Had the problem that you were having as far as unloading these trucks eased?

Mr. FARR. It had been eased, sir.

Mr. KENNEDY. So you actually got what you paid for?

Mr. FARR. Apparently.

Mr. KENNEDY. And he came back the following year for another \$1,000?

Mr. FARR. Yes, sir.

Mr. KENNEDY. What did he tell you at that time?

Mr. FARR. Usually not too long before he would appear or before he would call for an appearance, we would get word that these truckers were still nonunion, and shortly afterward we would usually get a call from Mr. Kirsch asking for an appointment.

Mr. KENNEDY. Just prior to the time he came back again in 1953, you started having labor difficulties again?

Mr. FARR. They didn't actually develop. Word was sent by 1 or 2 of the truckers that they had been told that they better get themselves squared off with the union, and a day or so later we would get a telephone call.

Mr. KENNEDY. Did you hear again in 1953 from Mr. McDevitt, or Mr. Kirsch called?

Mr. FARR. Mr. McDevitt called in 1953, too.

Mr. KENNEDY. This was someone describing himself as McDevitt?

Mr. FARR. Identifying himself as McDevitt.

Mr. KENNEDY. And Mr. Kirsch called and Mr. Kirsch came around to see you?

Mr. FARR. Yes, sir.

Mr. KENNEDY. What did he tell you at that time?

Mr. FARR. That our relations had been very good, and that we hadn't called them to see whether they could help us in any other way or not, and he wondered why we hadn't called. He just wanted to renew the ad to continue good relations.

Mr. KENNEDY. He said if you renewed the ad, that the good relations you had enjoyed with the union would continue?

Mr. FARR. That is right.

Mr. KENNEDY. Did you take another ad, then?

Mr. FARR. Yes, sir, we did.

Mr. KENNEDY. You made out another \$1,000 check?

Mr. FARR. That is right, sir.

Mr. KENNEDY. I hand you a photostatic copy of the check and ask you if you will identify it as a copy of the check that you gave at that time in 1953.

(The document was handed to the witness.)

Mr. FARR. That is a copy of it.

The CHAIRMAN. That may be made exhibit 39A.

(The document referred to was marked "Exhibit No. 39A" for reference and will be found in the appendix on p. 11174.)

Mr. KENNEDY. I would like to ask you about this check. This check you did not make payable to the Pennsylvania Federation of Labor,

nor did you make it payable to the Pennsylvania Federationist, but rather to Mr. Sam Kirsch himself. What was the reason for that?

Mr. FARR. He requested that it be made that way, Senator. However, he gave us a receipt, a signed receipt himself, from the Federation of Labor, as I recall it.

Mr. KENNEDY. Did you protest it at that time that it was better for you to make it out to the organization to whom you were actually paying the money?

Mr. FARR. Yes, sir.

Mr. KENNEDY. What did he say?

Mr. FARR. I can't recall exactly what his reasoning was in asking that it be made out to him personally.

Mr. KENNEDY. Did you feel at that time that it was going into his own pocket, into Mr. Kirsch's own pocket?

Mr. FARR. I had begun to feel that way very definitely, sir.

Mr. KENNEDY. Why did you continue to pay it?

Mr. FARR. Insurance, Mr. Kennedy, so far as we were concerned at that time, to continue.

Mr. KENNEDY. What you were paying money for was the labor peace; is that right?

Mr. FARR. That is right, sir.

Mr. KENNEDY. And you were willing to make this payment, what amounts to a payoff, in order to achieve this labor peace; is that right?

Mr. FARR. That is right, sir.

Mr. KENNEDY. Then in 1954, did Mr. Kirsch make a third visit?

Mr. FARR. That is right, sir.

Mr. KENNEDY. And you gave him another \$1,000 at that time?

Mr. FARR. That is right.

Mr. KENNEDY. And that was made payable to the Pennsylvania Labor Journal. Did you know what the Pennsylvania Labor Journal was?

Mr. FARR. No, sir; I did not.

Mr. KENNEDY. Did you know the Pennsylvania Federationist was no longer in existence at that time?

Mr. FARR. I did not, sir.

Mr. KENNEDY. Did you know the magazine in which you were purportedly buying an ad was no longer in existence?

Mr. FARR. No, sir; I did not.

The CHAIRMAN. I present you another photostatic copy of a check and ask you to examine it and state if you identify it.

(The document was handed to the witness.)

Mr. FARR. That is a copy of it, Senator.

The CHAIRMAN. That may be made exhibit 39B.

(The document referred to was marked "Exhibit No. 39B" for reference and will be found in the appendix on p. 11175.)

Mr. KENNEDY. Mr. Farr, did you in fact receive an ad in 1953 and 1954?

Mr. FARR. No, sir.

Mr. KENNEDY. So you just paid the money with the understanding that no ad would be put in?

Mr. FARR. That is right.

Mr. KENNEDY. You just gave him the \$1,000?

Mr. FARR. That is right.

Mr. KENNEDY. And you got what you bought?

Mr. FARR. Apparently; yes, sir.

Mr. KENNEDY. You didn't have any labor difficulties?

Mr. FARR. We finished our job in 1954. We have not been back into Pennsylvania.

Mr. KENNEDY. Mr. Chairman, this indicates the danger of this kind of an operation, and also the repercussions that it can have in the use of a labor official's name, such as Mr. McDevitt, who obviously knew nothing about it, and the attempt to shake down individuals in the name of the Pennsylvania Federation of Labor, and also in the name of Mr. McDevitt. It indicates the dangers that exist.

The CHAIRMAN. As I understand you, you gave the money not for an ad, you didn't care whether you had an ad or not. But you simply gave the money in the hope of buying labor peace. In other words, that your problems with the union would be less difficult than they might be otherwise.

Mr. FARR. Senator, on the first one, I actually asked for the ad.

The CHAIRMAN. You asked for it?

Mr. FARR. Yes, sir.

The CHAIRMAN. But you actually didn't care. You didn't expect any return from the ad.

Mr. FARR. As a result of that ad being in there, we must have had 1,000 calls in from different organizations and different labor organizations.

The CHAIRMAN. What about?

Mr. FARR. Soliciting ads.

The CHAIRMAN. Soliciting ads?

Mr. FARR. Yes, sir.

The CHAIRMAN. In other words, somebody concluded that you were an easy touch?

Mr. FARR. That is exactly right.

The CHAIRMAN. So you began to get other customers or prospective solicitors?

Mr. FARR. That is right, sir.

The CHAIRMAN. As far as it contributing anything to your business, expecting to get any return from it, any financial return or business by reason of it, you didn't anticipate that in the beginning; did you?

Mr. FARR. No, sir. I would like to state this, Senator, that they were not our employees.

In other words, our employees are organized and members of legitimate unions. These were people that were engaged in the trucking business that we had absolutely no control over.

The CHAIRMAN. You had no objection to your people being organized, and they were in the union?

Mr. FARR. No objection at all, sir.

The CHAIRMAN. But they were giving you trouble on the outside?

Mr. FARR. That is right, sir.

The CHAIRMAN. And these folks would come in and get \$1,000 from you and ease that problem?

Mr. FARR. That is right, sir.

The CHAIRMAN. And that is what they did?

Mr. FARR. That is correct, sir.

The CHAIRMAN. Are there any other questions?

Mr. KENNEDY. That is all.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. This is not directed to this witness. I regret that other official appointments prevented me from being in the hearing today. Does the staff expect in this hearing to present the figures of how much money, if any, actually ended up in the hands of the Pennsylvania Federation of Labor or any labor organization?

Mr. KENNEDY. We can do that right now, Senator. I think it is a good idea.

Senator CURTIS. I would be glad to have that.

The CHAIRMAN. Are there any other questions of this witness?

Senator Church.

Senator CHURCH. You testified that the nature of the labor difficulties you were having, prior to the time that Mr. Kirsch first came to you, had to do with unloading trucks that were operated by independent contractors. Is that correct?

Mr. FARR. That is right, sir.

Senator CHURCH. After you took the first advertisement, which did, in fact, appear in the publication, and paid the first \$1,000, this problem eased; is that correct?

Mr. FARR. That is right, Senator.

Senator CHURCH. Other than the fact that this problem eased, did any other information or evidence come to your attention tending to link, in your mind at least, tending to link Mr. Kirsch with the fact that this problem did ease? Was it just a coincidence that the problem did ease that led you to the conclusion that Kirsch had had something to do with it, or did you know, directly, that he had had something to do with it?

Mr. FARR. No, sir; I did not know directly.

Senator CHURCH. After that, did you actually get into the same problem prior to the time that Mr. Kirsch would come around and ask for another \$1,000, or did you just get these telephone calls prior to that, indicating that the problem might be simmering again?

Mr. FARR. The latter?

Senator CHURCH. The latter?

Mr. FARR. Yes, sir.

Senator CHURCH. So, you continued to pay the \$1,000 after the first time you took an ad, on the assumption, based upon these telephone calls, that if you didn't perhaps you would get into trouble again?

Mr. FARR. That is right, sir.

Senator CHURCH. Did you endeavor to contact or communicate with any of the local union people concerned with this problem to ascertain whether, in fact, Kirsch had any connection with them or any dealings with them?

Mr. FARR. No, sir; I did not. After our problem eased the first time, I assumed that there had been a connection.

Senator CHURCH. And you figured that the \$1,000 a year was a good investment to preserve the status quo?

Mr. FARR. That is right, sir.

The CHAIRMAN. How soon after you gave the first check did you sense the easing of the problem?

Mr. FARR. Almost immediately, Senator.

The CHAIRMAN. Would that be in a day or two?

Mr. FARR. Yes, sir.

The CHAIRMAN. In fact, did you have any more trouble about the trucks being unloaded?

Mr. FARR. No, sir.

The CHAIRMAN. Your problem ceased?

Mr. FARR. Yes, sir.

The CHAIRMAN. So, when it came time to renew the contract, to get another ad, you got some telephone calls?

Mr. FARR. That is right.

The CHAIRMAN. What would those telephone calls say?

Mr. FARR. That they understood that these truckers were still operating nonunion.

The CHAIRMAN. They would just remind you of that?

Mr. FARR. Yes, sir.

The CHAIRMAN. And that Mr. Kirsch would be around to see you?

Mr. FARR. Yes, sir.

The CHAIRMAN. And he would come?

Mr. FARR. Yes, sir.

The CHAIRMAN. So, you took the hint and paid off?

Mr. FARR. That is right, sir.

The CHAIRMAN. Is there anything further?

If not, thank you very much.

Mr. KENNEDY. Mr. Chairman, I might say, as far as Mr. Kirsch, he was expected to be a witness. He had been interviewed by the staff, but, unfortunately, he died of a heart attack about 3 weeks or a month ago.

I would like to call Mr. Ralph DeCarlo to put the figures in that Senator Curtis asked for.

The CHAIRMAN. You have been previously sworn in this hearing?

Mr. DeCARLO. Yes; I have.

The CHAIRMAN. Remain under the same oath.

TESTIMONY OF RALPH DeCARLO

Mr. KENNEDY. You examined the ledger sheets of the Pennsylvania State Federation of Labor pertaining to the sale of advertisements?

Mr. DeCARLO. Yes; I have.

The CHAIRMAN. You are an accountant, are you?

Mr. DeCARLO. Yes; I am.

The CHAIRMAN. With the General Accounting Office?

Mr. DeCARLO. Yes, sir.

The CHAIRMAN. And you are on loan to this committee, or on leave, so that you might work for this committee?

Mr. DeCARLO. That is right.

Mr. KENNEDY. And you also examined the annual financial reports of the federation?

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. Were you also able to examine certain of the books and records of the Pennsylvania Federationist?

Mr. DeCARLO. No; just the ledger sheets pertaining to the sales expenses and the annual reports.

Mr. KENNEDY. The rest of the books——

Mr. DeCARLO. The rest of the books I did not examine.

Mr. KENNEDY. Could you give us a summary of the financial operations of the State Federationist as set forth in these annual reports from 1946 to 1954?

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. Is it through 1954 or up until 1954?

Mr. DeCARLO. It is up to about October 1954, when the Rolee Advertising Agency was liquidated.

Mr. KENNEDY. But the last magazine was published in 1953?

Mr. DeCARLO. 1953.

Mr. KENNEDY. The Rolee Advertising Agency was owned by whom?

Mr. DeCARLO. Lapensohn.

Mr. KENNEDY. By himself or with his wife?

Mr. DeCARLO. With his wife. It was a corporation and they were the sole stockholders.

Mr. KENNEDY. Just the two of them, or was there also Mr. Lapensohn's brother?

Mr. DeCARLO. I don't think so, not in the Rolee Advertising Agency.

Mr. KENNEDY. We will get into more detail on that later.

Would you give us the records, the financial accounts, of the Rolee Advertising Agency, which was operated and owned by Mr. Lapensohn for this period of 1946 through 1954?

Mr. DeCARLO. Of Rolee?

Mr. KENNEDY. Of the Pennsylvania Federation.

Mr. DeCARLO. Yes, sir. A review of the annual reports showed that \$792,329.16 was received by the Pennsylvania State Federation of Labor for advertisements and contributions to the State Federationist. Of this amount \$481,707.74 was paid in commissions to Ben Lapensohn and the Rolee Advertising Agency, representing 60.8 percent of the amounts collected.

Mr. KENNEDY. Let's go over those figures; \$792,329.16 was collected?

Mr. DeCARLO. Was collected by the Pennsylvania State Federation of Labor.

Mr. KENNEDY. \$481,707.74 out of this amount was paid in commissions to Mr. Lapensohn or a company owned and operated by Mr. Lapensohn?

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. What was the cost of printing and distributing the magazine?

Mr. DeCARLO. The cost to the State Federation of Labor was \$64,994.75 to print and distribute the Federationist each year.

Mr. KENNEDY. That would be taken out of the amount of money that they made from the operation?

Mr. DeCARLO. That would come out of the \$792,000 figure; that is right.

Mr. KENNEDY. What was the net profit realized by the Pennsylvania State Federation of Labor?

Mr. DeCARLO. They realized in net profits \$245,626.67, which represents about 31 percent of the total amount received.

The CHAIRMAN. That is over a period of what time?

Mr. DeCARLO. About 9 years, Senator, from 1946 through 1954.

Mr. KENNEDY. How many copies of the Federationist were actually distributed?

Mr. DeCARLO. Our examination of the printers' records disclose that in no year were more than 3,500 copies ever distributed.

Mr. KENNEDY. To whom were these copies sent, generally?

Mr. DeCARLO. Generally to the advertisers, schools, libraries, and to the——

Mr. KENNEDY. To the locals?

Mr. DeCARLO. To the locals.

Mr. KENNEDY. They would send out a copy to each local?

Mr. DeCARLO. I don't know whether each local got one or not.

Mr. KENNEDY. Then generally two and three thousand were sent out; is that right?

Mr. DeCARLO. Around 3,000, I think, would be a good average.

Mr. KENNEDY. You told us what the Pennsylvania Federation of Labor received out of this, and how much was paid to Mr. Lapensohn. Then he, in turn, had to pay commissions, is that correct, to some of his solicitors?

Mr. DeCARLO. That is correct.

Mr. KENNEDY. Who were the two main solicitors working for him?

Mr. DeCARLO. The two main solicitors were Samuel Kirsch and John Bokal.

Mr. KENNEDY. How do you spell his name, Bokal?

Mr. DeCARLO. B-o-k-a-l.

Mr. KENNEDY. Do you know anything about Mr. Kirsch's background?

Mr. DeCARLO. Very little.

Mr. KENNEDY. How about Mr. Bokal's?

Mr. DeCARLO. Nothing, except that he had some kind of a prison record as a confidence man.

Mr. KENNEDY. I will come back to that. How much did each one of those two receive? How much did Mr. Kirsch receive?

Mr. DeCARLO. Over the 9-year period, Mr. Kirsch received \$120,-496.23.

Mr. KENNEDY. How much did Mr. Bokal receive?

Mr. DeCARLO. \$96,341.54 for Mr. Bokal.

Mr. KENNEDY. From an examination of the records, how much do we feel Mr. Lapensohn himself made out of this operation as far as profit was concerned?

Mr. DeCARLO. Mr. Lapensohn personally benefited from this operation by about \$197,500.17.

Mr. KENNEDY. Over this period of time?

Mr. DeCARLO. Over this period of time.

Mr. KENNEDY. That was a profit to him?

Mr. DeCARLO. That is right.

Mr. KENNEDY. Did you find that he was milking the funds out of the corporation?

Mr. DeCARLO. Yes; in many ways.

Mr. KENNEDY. In order to make it appear to the State Federation of Labor that he was, in fact, operating on a close margin?

Mr. DeCARLO. That is right, sir.

Mr. KENNEDY. Many of his own personal expenses were paid out of the corporation?

Mr. DeCARLO. That is right. They were charged to selling expenses, travel expenses, office expenses. But many of them appeared to be for his own personal needs.

Mr. KENNEDY. But it would appear to the State Federation of Labor that, in fact, they were operating very close to the line?

Mr. DeCARLO. That is right.

Mr. KENNEDY. We have found from an examination of the books and records that he actually made himself, in profit, through milking the corporation, through salary, through expenses, about \$190,000.

Mr. DeCARLO. About \$197,500.

Mr. KENNEDY. Mr. Chairman, Mr. Bokal is also unable to be a witness for the same reason that Mr. Kirsch could not be a witness.

The CHAIRMAN. He died of a heart attack?

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. But he had been arrested some 16 or 17 times. Prior to the time he began working for the Pennsylvania Federationist, he had served some 4 or 5 different sentences in the penitentiary as a confidence man, starting back in 1925, in the Federal Penitentiary in Atlanta, Ga.; and then false pretenses in 1931, in Lewisburg, Pa.; defrauding the mails, grand larceny, grand larceny in the first degree; selling securities in 1939 without a license, and he served 6 months for that; using mails to defraud; grand larceny in 1940; forgery of checks in 1942.

So he was 1 of the 2 chief solicitors for the Pennsylvania Federationist. We had a good deal of information on Mr. Kirsch regarding his background and activities when he switched over to this Pennsylvania Labor Journal, which he operated in the same way, which we expected to bring out. Of course, we will not at this time. Are there any other figures on that which you would like to have, Senator Curtis?

Senator CURTIS. These figures that you gave have nothing to do with the Pennsylvania Labor Journal?

Mr. DeCARLO. No, sir.

Senator CURTIS. Just for the period they operated as the Pennsylvania Federationist?

Mr. DeCARLO. Yes, sir.

Senator CURTIS. Were you able to trace any payments to any labor leaders that brought about labor peace? I am referring to the recent testimony of Mr. Farr, who paid sizable sums and the threats of labor difficulties disappeared. I would like to know who caused those difficulties, threatened difficulties, to disappear, and what they got of it.

Do you know that?

Mr. DeCARLO. No, sir. The Rolee records did not disclose anything of that nature. I was looking for it.

Senator CURTIS. Did the State federation of labor records show it?

Mr. DeCARLO. I didn't examine all of their records: I just examined the ones pertaining to the Federationist.

Senator CURTIS. I can understand you as an accountant would not have access to these facts, necessarily, but either 1 or 2 things happened: A threatened labor disturbance did not exist, but these people running this activity could create talk that one existed, or else if one existed certainly somebody received pay for bringing it to an end.

The CHAIRMAN. In one instance, it did exist, because they were unable to unload the trucks. The stewards were interfering, telling them they could not unload. I would say that was actually, existing trouble.

Senator CURTIS. But would the State federation of labor have the authority to end that?

The CHAIRMAN. If the stewards are stewards of the union, they would certainly have some control over it.

Senator CURTIS. I would think that would be the prerogative of the local union or at least the international union involved over the State federation. Is that right?

Mr. KENNEDY. I would think it would be the local union or the international probably.

Senator CURTIS. In other words, I think it would be most helpful to the committee if we could find out—and I am not addressing this necessarily to the witness, if we could find out who settled labor difficulties for payment on the part of the union.

I have nothing further of this witness.

The CHAIRMAN. Very well, thank you very much.

You may stand aside for the present.

First, do you have the summaries there that you testified from?

Mr. DeCARLO. Yes, sir.

The CHAIRMAN. A copy of them may be filed and made exhibit 40. (The document referred to was marked "Exhibit No. 40" for reference and may be found in the files of the select committee.)

The CHAIRMAN. Call the next witness.

Senator CHURCH. Mr. Chairman?

The CHAIRMAN. Senator Church.

Senator CHURCH. Before we get into the question of the next witness, I think figures of the kind which have been given to us here this afternoon would be even more meaningful if we could correlate the total amounts of money apparently realized from the sale of advertisements in this kind of publication with the actual advertisements that did appear and the rates known to have been charged for those advertisements in order to determine how the total figures bear out with what was actually put into the magazine, as a method for checking or better checking the actual handling of the funds involved.

I am wondering if that has been done in this case.

The CHAIRMAN. Mr. Counsel?

Mr. KENNEDY. Senator, because this magazine went out of existence in 1954, we could not make the studies in this case that we could in the case of New York, where they went out of existence just last month, after we had some conferences with the federation officials in New York State.

So we were able to break the figures down in far more detail in New York. When we go into the operation of that magazine, which was also operated by Mr. Lapensohn, we will have figures that bear on the question that the Senator raises.

Senator CHURCH. Thank you.

Senator CURTIS. I do have one more question to ask the witness, Mr. Chairman.

The CHAIRMAN. Very well.

Senator CURTIS. Did the Pennsylvania State Federation of Labor receive any money that was paid in where there was no ad published?

Mr. DeCARLO. Yes, sir; they received contributions from employers who did not wish to have their ads put into the magazine.

The CHAIRMAN. I think in your statement with respect to the matter it said that these were contributions and advertisements.

Mr. DeCARLO. That is right.

Senator CURTIS. Do you know how much the so-called contributions amounted to that the Federation of Labor received?

Mr. DeCARLO. I don't have that information, no, but I believe that perhaps Mr. Kennedy may have something, too, on that.

Senator CURTIS. That is all, Mr. Chairman.

Calling something a contribution does not make it so. The witnesses that I have heard this afternoon were sought out and asked for this money.

The CHAIRMAN. It could be an involuntary contribution.

Senator CURTIS. I think that is a little more respectable word than the transaction indicates.

The CHAIRMAN. A stronger word could be used?

Senator CURTIS. Probably.

Mr. KENNEDY. Senator, we have for the Pennsylvania Labor Journal those figures broken down, which was another magazine that was operated by Mr. Kirsch, and we will put the figures in for New York tomorrow. We do not have them for the Pennsylvania Federationist.

Would you want them for the Pennsylvania Labor Journal? Would you want those figures?

Senator CURTIS. If you have them.

Mr. KENNEDY. The number of contributors who requested no ad in 1954 was 194. The number of those who wanted an ad is 80. The total number was 274. In 1955, 178 wanted no ad, 66 actually put an ad in, and the total was 244. In 1956, 134 wanted no ad; the number of advertisers was 56 for a total of 192. In 1957, the number of contributors who wanted no ad was 108, the number of advertisers was 47, for a total number of contracts of 155.

That makes a total for the 4-year period of 614 who wanted no ads but who made contributions, who made these payoffs.

Two hundred and fifty-one actually bought an ad. That makes a total of 865 for the Pennsylvania Labor Journal.

Senator CHURCH. Mr. Chairman, I think it also should be stressed in the interest of fairness that since contributions that did not entail ads were received by the federation, that here is no evidence here and none has been presented this afternoon to show that the federation was at all apprised or had knowledge of some of the methods that were being used to actually obtain contributions.

This linkup is certainly necessary if the federation is to be tainted at all, and that linkup does not exist here.

Mr. KENNEDY. To the contrary, we have found no information that they were aware that this was the kind of operation that Mr. Lapensohn was working, or, in fact, that the people in New York knew that the same kind of operation was in effect.

The CHAIRMAN. But the fact is there was a swindle going on. They may have been using and were using the name of a labor organization to help them in perpetuating the swindle. It may clearly indicate the need for legislation in that area.

Call the next witness.

Mr. KENNEDY. Mr. Elmer—

Senator CURTIS. I have one more thing. Does the record show that the Pennsylvania State Federation did not know the so-called contributions were coming in from management, management with whom various union groups would be negotiating?

Mr. KENNEDY. I think that they knew that the magazine was being put out, and that the magazine was dependent on advertisers, and employers were being approached. But they had given instructions, at least as far as we can learn, that there was no pressure to be used, that they were not to hold out the sale of labor peace or anything of that kind. That would appear to me to be the crux of this matter.

What happened was that Mr. Lapensohn and people similar to Mr. Lapensohn had an operation which was an imposition not only on the employer, but an imposition on the labor officials themselves, who were unaware that this kind of racket was going on. Some of the employers, such as our previous witness, of course made these payments over a period of 2 or 3 years in order to buy labor peace, and to end what really amounted to legitimate unionization.

He paid \$1,000 out in order to keep the union away from his door. It is a reflection on a matter that needs to be developed from all sides.

The CHAIRMAN. Call the next witness.

Mr. KENNEDY. Mr. Elmer W. Smith.

(At this point, the following members were present: Senators McClellan, Church, and Curtis.)

The CHAIRMAN. You do solemnly swear the evidence you shall give before this Senate select committee shall be the truth, the whole truth and nothing but the truth, so help you God?

Mr. SMITH. I do.

TESTIMONY OF ELMER W. SMITH

The CHAIRMAN. State your name, your place of residence, and your business or occupation.

Mr. SMITH. My name is Elmer W. Smith, I live at 1737 West North Street, in Bethlehem, Pa. I am assistant to the vice president of the public relations department of the Pennsylvania Power & Light Co.

The CHAIRMAN. All right, sir. Proceed, Mr. Kennedy.

Mr. KENNEDY. You are a large electric power and utility company, is that right?

Mr. SMITH. One of the largest in the State of Pennsylvania, yes, sir.

Mr. KENNEDY. In 1950, your company paid for an advertisement in the Pennsylvania Federationist, \$500?

(At this point, Senator McClellan withdrew from the hearing room.)

Mr. SMITH. We made a contribution of \$500 toward the publication.

Mr. KENNEDY. You did not take an ad?

Mr. SMITH. I cannot find a copy of an ad, so I assume it was a contribution.

Mr. KENNEDY. In 1951, 1952, and 1953 you continued to make your yearly contribution of \$500?

Mr. SMITH. That is right.

Mr. KENNEDY. You received a letter in June 1950 purportedly signed by Mr. James McDevitt, is that right, on June 23, 1950?

Mr. SMITH. I am not sure of the date. You have those files.

Mr. KENNEDY. He stated to you, did he not, that he was going to have Mr. Ben Lapensohn come by the office of the company in 1950?

Mr. SMITH. Well, Senator—Mr. Kennedy, I recall a letter like that in the files. But that was prior to my association, I believe, in that office.

Mr. KENNEDY. Then there is a letter here of June 30, 1950.

Mr. Chairman, the first letter of June 23, 1950, is similar to the letters we have already had. I do not believe it will be necessary to make it an exhibit. It simply states that Mr. Ben Lapensohn is coming by. Then on June 30, 1950, there is a letter addressed to Mr. Lewis W. Heath, vice president of Pennsylvania Power & Light Co., which I would like the witness to identify.

Senator CHURCH. Would you please identify this letter for purposes of inclusion in the record?

(The document was handed to the witness.)

Senator CHURCH. This is a photostatic copy of a letter dated June 30, 1950, bearing a signature of James L. McDevitt. I wonder if you can identify that letter, please.

Mr. SMITH. Yes. That has our receipt stamp, so I am sure it is ours. The letter was addressed to us and received by us.

Senator CHURCH. That letter will be made exhibit 41 for the record. (The document referred to was marked "Exhibit No. 41" for reference and may be found in the files of the select committee.)

(At this point, Senator McClellan entered the hearing room.)

Mr. KENNEDY. Prior to reading this letter, Mr. Chairman, I have a question for the witness. How many employees do you have?

Mr. SMITH. Approximately 6,500.

Mr. KENNEDY. And are they members of any union?

Mr. SMITH. About 4,000 are members of the independent—the employees independent union.

Mr. KENNEDY. That union is not affiliated with the AFL-CIO?

Mr. SMITH. That is not affiliated. It is an independent union.

Mr. KENNEDY. And yet your firm is making this donation to an American Federation of Labor magazine, is that right?

Mr. SMITH. Yes.

Mr. KENNEDY. This letter dated June 30, 1950, which has been made an exhibit, states

DEAR MR. HEATH: Thank you very much for your courtesy extended to Mr. Lapensohn and Mr. Bokal of my staff. I am inclosing a monthly bulletin of the Pennsylvania Federation of Labor. Please note on page 5 where our organization opposes public and Government ownership of electric light and power utilities. You may be assured that we will continue in our fight for free enterprise.

With kind regards.

Very truly yours,

JAMES L. McDEVITT, *President.*

Wasn't it a fact that you were making a contribution because you felt that the Pennsylvania Federation of Labor was supporting your position on the public power fights?

Mr. SMITH. Mr. Kennedy, I don't know that, but I do know that in searching the records and reviewing the files our contributions there were for the benefit of area development and for the educational program that the Pennsylvania Federation of Labor had.

Mr. KENNEDY. Did you find out what the circulation of the magazine was?

Mr. SMITH. Only from correspondence we had in the file, which referred to a figure of 525,000. That was in 1943, I believe that letter is dated.

Mr. KENNEDY. Did you ever find out after that that the circulation was only 3,500 or 3,000?

Mr. SMITH. No, sir.

Mr. KENNEDY. Did you ever inquire into that?

Mr. SMITH. No, sir.

Mr. KENNEDY. Did you ever inquire into where the magazine was going, by whom it was being received?

Mr. SMITH. No. With a figure like that, that was a pretty wide distribution.

Mr. KENNEDY. You continued your contributions up through 1954, 1955, and 1956. Was that always to the same magazine, do you think?

Mr. SMITH. No. I recall that the name of the publication was changed. I believe, to where in the last 2 or 3 years it was the Pennsylvania Trade Unionist.

Mr. KENNEDY. So that the last three contributions that you made were to a different magazine, but still associated with Mr. Kirsch; is that right? He was still the solicitor?

Mr. SMITH. No, Mr. Bokal, John Bokal called.

Mr. KENNEDY. He had been associated with Mr. Kirsch prior to that time. How did you happen to contribute to Mr. Bokal's magazine then?

Mr. SMITH. Through his telephone calls. As I recall, on two occasions he stopped at our office and asked about the continuation of our support of the publication.

Mr. KENNEDY. Did he discuss with you at that time—did Mr. Kirsch discuss with you—the position of the Pennsylvania Federation of Labor on the question of public ownership of power?

Mr. SMITH. You speak of Mr. Kirsch?

Mr. KENNEDY. Mr. Bokal. Did Mr. Bokal ever mention that, or Mr. Lapensohn in his visits with you?

Mr. SMITH. No.

Mr. KENNEDY. They never did?

Mr. SMITH. No. This Lapensohn, I never did see him. I don't know who he is. At no time did we discuss anything regarding the power issue.

Mr. KENNEDY. Your whole contact was with Mr. Bokal, is that right?

Mr. SMITH. That is right.

Mr. KENNEDY. And in 1954, he told you that he was switching over to another magazine, and you continued to make the \$500 contributions?

Mr. SMITH. No, I don't recall any such conversation.

The first we knew of it was when we got a copy of the magazine. As I recall it, that is the first we noticed that the name had changed from the Pennsylvania Federationist to the Pennsylvania Trade Unionist.

I believe that was in 1954, as I recall.

Mr. KENNEDY. Then on February 15, 1954, you received a letter from Mr. Ralph L. Lyons, president of the Harrisburg Building and Trades Council, which started in part:

You are probably aware that we are opposed to further encroachment by the Government in the public utility field, for such action tends to destroy the basic concept of the free enterprise system and the American way of life.

Wasn't it a fact that you were making this contribution of \$500 for the purpose of furthering, or hoping that it would further, the stand that the Pennsylvania Federation of Labor had taken against public power?

Mr. SMITH. No, I don't know that that is the fact.

The CHAIRMAN. For what purpose were you making the contributions?

Mr. SMITH. Well, Senator, the publication did deal with the State of Pennsylvania, the possibilities of industry in Pennsylvania, and our support was for the development of Pennsylvania as an industrial State.

Anything that benefited the area that we served, which is 10,000 square miles, benefited us, too, as a utility company.

The CHAIRMAN. That would be true. Did you take an ad or make a donation?

Mr. SMITH. In the first few years of our connection with the Pennsylvania Federation of Labor, we did have ads. But as I recall from 1950 we did not continue with ads but supported the publication.

The CHAIRMAN. How did you charge off that expenditure? To advertising or donations?

Mr. SMITH. It was charged as a contribution.

The CHAIRMAN. As a contribution?

Mr. SMITH. That is right.

The CHAIRMAN. So you had nothing to sell. You were not advertising anything for sale. You were just contributing to help finance the publication of the paper?

Mr. SMITH. That is right.

The CHAIRMAN. Do you know why, when they wrote you about it, they would mention the fact that they were against public power?

Mr. SMITH. Would you repeat that, sir?

The CHAIRMAN. When they wrote you about these matters, when they had correspondence with you, they would write you that they were still against public power.

Mr. SMITH. I suppose their letters did contain that, but at no time did we solicit their support for any stand like that.

The CHAIRMAN. Was it ever discussed between you?

Mr. SMITH. Not between Mr. Bokal and myself, and he is the only man I ever had any contact with.

The CHAIRMAN. How would they know your position about public power if you did not discuss it with them? Is it a mystery to you?

Mr. SMITH. I just did not discuss the matter with Mr. Bokal.

The CHAIRMAN. It seemed to be on his mind, and that must have had some appeal to you. Every time he wrote you, he mentioned something about it.

MR. SMITH. I recall Mr. Kennedy referred to a letter even prior to Mr. Bokal's contact that contained a statement like that, too.

THE CHAIRMAN. Proceed.

SENATOR CURTIS. Mr. Chairman?

THE CHAIRMAN. Senator Curtis.

SENATOR CURTIS. Mr. Smith, I would like to ask you a hypothetical question, and the reason I am making it a hypothetical question is because I do not want to get involved in details that are not clearly established.

In your opinion, would it be an appropriate expenditure for a power company to make an expenditure for public relations that sold the general idea of privately owned power systems?

MR. SMITH. Yes, Senator.

SENATOR CURTIS. There would be nothing wrong with that?

MR. SMITH. No.

SENATOR CURTIS. That is my understanding. It might make a difference to the recipient of the money, taxwise, if they were lobbying for an issue. But if you spent the money to get across to the public, even though it was a limited public, your arguments in favor of privately owned power, it certainly would be, in my opinion, a legitimate advertising expenditure.

MR. SMITH. I agree with that.

SENATOR CURTIS. And if that fact was not made known to you, perhaps it would be a legitimate expenditure for some other purpose, just general goodwill.

SENATOR CHURCH. Mr. Smith, if I remember your testimony correctly, and please correct me if I am mistaken, you first testified a few minutes ago that the reason that the company made this \$500 contribution, since the company's employees are not unionized or at least are not members of a union affiliated with the union that was publishing this yearbook, was because you had an interest in the educational program of the union. Then later you said that the reason was that you had an interest in industrial development in Pennsylvania, and this was handy, which is the reason that you did it, or was it for both of these reasons?

MR. SMITH. Senator, I believe I did make reference to the industrial development and their educational program. Also, I want to clear this thought with you, Senator: While we have 6,500 employees, approximately, 4,000 are affiliated with the employees independent association, and since the merger of 2 additional companies in 1953 and 1956, we have acquired approximately 400 employees who are represented by the Utility Workers Union of America, and about 175 employees who are affiliated with the International Brotherhood of Utility Workers.

SENATOR CHURCH. But at the time that you made this contribution, you had no employees who were affiliated with the A. F. of L.?

MR. SMITH. Not at the start of it, that is right.

MR. KENNEDY. When you determined your rates in Pennsylvania, when your rates were determined, in the meeting of the utilities commission, would you include this \$500 as an expense?

MR. SMITH. Yes. That is an item of expense that was charged to—well, as it is referred to—above the line, and considered in the expense as ratemaking.

Mr. KENNEDY. Would a donation to the Red Cross, for instance, or the blood bank, be considered?

Mr. SMITH. They are not, Mr. Kennedy. They are referred to, charged below the line. But to give contributions to public institutions, and that sort, or drives, are a benefit to our customers and to everybody. But they are not charged above the line.

Mr. KENNEDY. You were making this \$500 donation or contribution each year to avoid unionization or trouble with the A. F. of L., isn't that correct?

Mr. SMITH. No, sir.

Mr. KENNEDY. There was no other reason. You didn't have any connection with the A. F. of L.?

Mr. SMITH. No.

Mr. KENNEDY. You had no employees who were members of the A. F. of L.

Mr. SMITH. As I stated before, that was purely for an area development promotion, and toward their educational activities, which their letter indicated they were interested in.

Mr. KENNEDY. Then why didn't you place an ad and say you were in favor of that, some message saying "Let all young people go to school"; or something like that?

Mr. SMITH. We did place ads.

Mr. KENNEDY. Not after 1950; you did not place an ad.

Mr. SMITH. We did not.

Mr. KENNEDY. Did you find out what the circulation was? That would be a good way of finding out.

Mr. SMITH. As I mentioned before, Mr. Kennedy, our records indicated they had a big circulation.

Mr. KENNEDY. All that your records indicate is that in 1953 you had a memorandum which expected that this magazine would get to 525,000 union members. It didn't say it had that circulation, or that that many magazines were being sent out or that many magazines were being produced. Why didn't you find out how many magazines were being distributed in 1950 when you were making this \$500 donation?

Mr. SMITH. I can't answer that.

Mr. KENNEDY. Did you find out to whom the magazine was being sent?

Mr. SMITH. No, sir; I do not know.

Mr. KENNEDY. I have here a memorandum on an interview that you had with John Bokal, May 10, 1955, which states the merger objectives: 1, "To eliminate raidings"; 2, "Not for banding together for political gains"; 3, "Will only affect top level"; 4, "AFL to be dominant because of larger membership." The next one is "Opinion expressed will continue that Gov't. should not interfere in private business." The last one is "Must maintain Free Enterprise System." This is all in your files in connection with the ad that you were taking. This is John Bokal, who represents this magazine. Where in there were you discussing the fact that you were going to contribute money for educational purposes in Pennsylvania?

Mr. SMITH. Mr. Kennedy, what is the date of that letter again, or that note, that reference?

Mr. Kennedy, what is the date of that memorandum?

The CHAIRMAN. I will hand you the memorandum and see if you identify it. This is what purports to be a photostatic copy of it. It is dated May 10, 1955. You may examine it and state if you identify it.

(The document was handed to the witness.)

Mr. SMITH. That is my writing.

The CHAIRMAN. That may be made exhibit 42.

(The document referred to was marked "Exhibit No. 42" for reference and will be found in the appendix on p. 11176.)

The CHAIRMAN. I assume the date on it is correct.

Mr. SMITH. Yes.

Mr. KENNEDY. It does not appear in there that you were very concerned about the educational process.

Mr. SMITH. No, but, Mr. Kennedy, that was, I believe 1 of the 2 visits that Mr. Bokal made to your office. That is information that he had advanced, not that I had asked. I recorded that merely so I could discuss it with my superior as a result of the call. I didn't ask him any of that information. I had not interest in their union. It didn't affect us.

The CHAIRMAN. As I understand, then, you say that he just came in and told you these were the advantages of it? In advertising, you would get these advantages?

Mr. SMITH. No, I don't recall anything like that.

The CHAIRMAN. What was he telling you these things for, and you making a note of it?

Mr. SMITH. He made his call and asked about our contribution or continuance of our contribution.

(At this point, Senator Goldwater entered the hearing room.)

Mr. SMITH. This is just information in the course of conversation which he revealed, passed along to me, and I just made those notes.

The CHAIRMAN. All right. He was giving you these reasons as to why you should continue your contribution.

Mr. SMITH. Well, maybe he did.

(At this point, the following members were present: Senators McClellan, Church, Curtis and Goldwater.)

The CHAIRMAN. You are the one involved in the transaction, and you were the one making the notes, and now can you tell us why you were making those notes, if it is from his conversation unless it was to persuade you to continue making the contribution and these were the reasons he gave?

Mr. SMITH. I didn't know that it was his intention to try to persuade me.

The CHAIRMAN. Why did you think it was of sufficient importance to make a note of it?

Mr. SMITH. That is what we talked about.

The CHAIRMAN. You talked about that in order to lead up to the point as to whether you were going to continue to make a contribution, is that correct?

Mr. SMITH. No, I don't think so.

The CHAIRMAN. Can you give us any other reason why such a conversation would be held?

Mr. SMITH. Well, Senator, we never asked them to call on us for a contribution.

The CHAIRMAN. We have a lot of folks calling on us without our asking and then we take into account what to say in the course of the efforts to solicit, and obviously that is what you did and made notes of it?

Mr. SMITH. That is why we made those notes.

The CHAIRMAN. Do you have any other explanation for it?

Mr. SMITH. No.

The CHAIRMAN. You were there?

Mr. SMITH. I was there, yes, sir.

The CHAIRMAN. And you heard it and you did it, and you made the notes, and if you have any better explanation we will be glad to have it.

Mr. SMITH. I made the notes.

Senator CURTIS. Of course I can't interpret someone else's notes, but this looks like to me a memorandum of what Mr. Bokal said about the merger of the AFL-CIO. You have down here—

Merger objectives: Eliminate raidings, not for banding to go for political purposes, will only affect top level, and AFL to be dominant cause of larger membership, and opinion expressed will continue that Government should not interfere in private business, must maintain private enterprise system.

Far be it from me to suggest what somebody else's notes mean, but that looks like it is pretty plain, that Mr. Bokal is expressing his opinion on the AFL-CIO merger to a representative of a private business that is faced with Government competition in public power.

Mr. SMITH. You are absolutely right, because I didn't ask him those questions, and I had no reason to ask him.

Senator CURTIS. I don't think that there is anything wrong in a notation of somebody's opinion of what the merger objectives were.

Mr. SMITH. That is right.

The CHAIRMAN. The Chair will say he was simply trying to get the man who made the notes and had the conversation to tell us what it was all about. That is all I was trying to do, and you didn't seem to be able to tell us. I made the suggestion as to what it might be.

Mr. SMITH. It was just a conversation that he advanced, and not I, and I didn't ask him.

The CHAIRMAN. All right, proceed.

Mr. KENNEDY. It was on a letter. The notes were made on the back of a letter which came to the company, with a request that the company grant an interview. It stated:

DEAR MR. SMITH: You probably read about our recent convention and the problems which are presenting themselves regarding the merging of the American Federation of Labor and the CIO, and at the same convention other factors arising affecting the Pennsylvania trade union movement. I have asked our Mr. Bokal to contact you and acquaint you with these matters which I know you will be vitally interested in and which have an important effect on your labor management relations in your company.

We want to express our thanks for your cooperation.

It is signed by Edward Miller.

On the back these notes are written. This is Mr. Bokal who came by to get the \$500 contribution to the magazine at that time.

I want to draw your attention also to a memorandum dated January 7, 1957, which was about the period of time, as I understand it, when you ended your contributions to this magazine, is that right?

Mr. SMITH. That is right.

Mr. KENNEDY. It says—

Over the period of the past 15 years, it has been the practice to contribute toward the expenses of their annual publication yearbook in amounts from \$225 advanced to \$500 in the past 7 years. This publication was originally known as the Pennsylvania Federation of Labor Yearbook, and later the Pennsylvania Federationist, and since 1954, the Pennsylvania Trade Unionist.

In 1940 to 1945, ads were submitted and since 1950 contributions were made in support of publication. No contributions were made 1946 to 1949. Accordingly we desire to discontinue this past practice of support knowing full well the pressure that will be exerted by their representatives who usually call on us during the month of January.

During the past year his aim was to obtain our agreement to raise our contribution to \$1,000 to meet their rising costs of publication, and defray deficits in convention expenses.

Now attached to that is a handwritten memo saying—

This is one contribution which as far as I am concerned should be discontinued. I have discussed with Ed Brill and he says no reason why not.

I would think, from these two memos, it was obvious that you felt that there was no mention in there of the fact you were helping education in Pennsylvania.

There is no mention in there of the fact you are trying to bring industry into Pennsylvania by making the contribution. It is obvious from the fact the word "contribution" is in quotes, and the use of the word "pressure" here, that you were paying the \$500 in order to better your labor-management relations and possibly on the question of public power; isn't that correct?

Mr. SMITH. I am sure, Mr. Kennedy, that that wasn't the intent.

Mr. KENNEDY. Wouldn't you agree that that is what it appears to be?

Mr. SMITH. Maybe I didn't go into the full detail of these contributions made. That is just a very short memorandum. Therefore, I didn't cover all of the points that you called attention to.

Mr. KENNEDY. You don't cover any that you state here are the reasons in answer to the questions, the reason you were making the contribution, and you don't cover any of those, and in addition you put "contribution" in quotes, and you use the word "pressure."

Let me ask you this: When our investigator first interviewed you, did you have his conversation bugged or recorded?

Mr. SMITH. Did I have what?

Mr. KENNEDY. His conversation bugged or recorded.

Mr. SMITH. Oh, no, sir.

Mr. KENNEDY. You did not?

Mr. SMITH. No, sir.

Mr. KENNEDY. Did you have any recording device at all?

Mr. SMITH. No, sir.

Mr. KENNEDY. Would you tell me how you were able, or would you identify this for me.

The CHAIRMAN. The Chair has not examined this, but I am handing you a file, and as I understand it is a file belonging to your company, or to you personally, and here is a memorandum on it, a four-page memorandum on yellow sheets. It appears to be signed by you and by Mr. Brill.

Will you examine this document of four pages, and tell us what it is, please?

Mr. SMITH. Yes, Senator. That is a statement I prepared after Mr. Nash left our office, as a result of our conversation. This is merely from memory of what we discussed.

There was no recording. Both Mr. Brill and I who were present during Mr. Nash's visit prepared that memorandum.

The CHAIRMAN. That may be made exhibit No. 43.

(Document referred to was made exhibit No. 43, for reference, and may be found in the files of the Select Committee.)

The CHAIRMAN. You state, then, this was made from memory, from your recollection, just so you might keep a record to refresh your memory after the conversation or after the interview with the staff representative?

Mr. SMITH. That is absolutely correct.

Mr. KENNEDY. Did you have any recording device at all?

Mr. SMITH. Absolutely we did not; no, sir.

Mr. KENNEDY. Let me just read you the start:

Mr. Nash arrived at 1:40, appointment 2 o'clock, and after showing his credentials, he said this is for the purpose of investigation and he wanted to review with me our contributions to the Pennsylvania Federation of Labor and Pennsylvania Trade Unionist since 1945 and also see our file.

Mr. SMITH. After our telephone conversation this morning, I had no idea what the purpose of your visit might be, thinking it might be in connection with a labor problem. I asked Mr. Edward J. Brill, director of employee relations to join us in this meeting.

Mr. NASH. That is all right. While my purpose is about contributions, we may get into the subject of your union. What is your full name and title?

Then there are some brackets, and "answers recorded in his notebook."

May I see your file, and I suppose you have one.

You remembered all of this conversation?

Mr. SMITH. Yes, sir.

Mr. KENNEDY. You remembered him saying:

I suppose you have one?

Mr. SMITH. Yes, sir.

Mr. KENNEDY. (Continuing reading):

Mr. SMITH. Yes, we have a file but I am surprised that you should visit us on this subject, as we discontinued placing ads and contributions to support their annual publications. Is it because we discontinued that you are making this check?

Mr. NASH. No, that is not the reason. I want to go back to 1945.

Mr. SMITH. How did you get my name?

Mr. NASH. You were contacted by Mr. John Bokal on several occasions for contributions. Did you know he passed away?

Mr. SMITH. No, I did not.

Mr. NASH. Yes, about 6 weeks ago. Did you know he was a confidence man with quite a record?

Mr. SMITH. No, I did not.

Mr. NASH. I never met him. I only saw his picture with a number on it. Now, may I see your file, or should I issue a subpoena?

(Smith called secretary for file and obtained it and Mr. Nash asked for it and handed file to him.)

Mr. Brill arrived and he was introduced to Mr. Nash.

Then you continue on page 2 with the same exchange, and the names and what Mr. Nash said, and then what you responded to him, and what Mr. Nash said, and what Mr. Smith said, and it goes

on for 3 or 4 pages. You could remember everything that he said to you and everything that you replied?

Mr. SMITH. Well, I don't know how near accurate it is, but that is my recollection of our visit as a result of Mr. Nash's call.

Mr. KENNEDY. Why didn't you just make a regular memorandum giving an account as to what had transpired?

Mr. SMITH. That is just the way I set it up. There was no reason.

The CHAIRMAN. May I ask, have you other memoranda made up in that manner, is that your practice to make them up in that manner, question and answer?

Mr. SMITH. Well, Senator, I have never had such an occasion, such a visitation for anything like this before, to prepare a review like that.

The CHAIRMAN. As a businessman, you do have interviews quite often, about business matters and so forth, and I just wondered if this was your practice.

Mr. SMITH. I have done that before.

The CHAIRMAN. Question and answer?

Mr. SMITH. Yes, sir.

Mr. KENNEDY. There is no other memorandum in here similar to that.

Mr. SMITH. Oh, no, Mr. Kennedy, that is the first time we ever were called on, on a matter like this.

Mr. KENNEDY. Some of these questions here, "What customers are residential customers?" and you have exchanges here that wouldn't possibly be of any interest, or couldn't be of any interest to you. They have down here in the memorandum these notes——

Mr. SMITH. I have what, sir?

Mr. KENNEDY. You have questions and answers here which wouldn't ordinarily be put in any memoranda, unless you had a recording, or were trying to put down verbatim what had occurred.

Mr. SMITH. Those are the questions that Mr. Nash asked, and to my recollection, because I remember full well he asked about our customers, and where they were located, and he said on his own, and I believe it is recorded there, or noted, "Yes, you serve Harrisburg," and I believe that is part of that.

Mr. KENNEDY. Can you tell us just now what the last five questions were that we asked you and what your answers were verbatim?

Mr. SMITH. You mean now?

Mr. KENNEDY. Yes.

Mr. SMITH. We have just reviewed that file there, and you asked me whether I had a recording instrument, and I said "no."

Mr. KENNEDY. The last five questions, and I understand you could write a memorandum as to what had occurred and what we asked you about here, but could you repeat now for the committee the last five questions and answers that you gave as you did in this memorandum?

Mr. SMITH. You mean questions you asked me?

Mr. KENNEDY. Yes.

Mr. SMITH. Senator, he asked me about the memorandum of May 10, and you asked me for the files.

The CHAIRMAN. Are there any other questions?

You say under oath that you didn't record it, and you didn't have any kind of recording device?

Mr. SMITH. That is absolutely correct.

The CHAIRMAN. And no one did record it and these are not from a recording, and that is your statement under oath?

Mr. SMITH. It is absolutely correct.

The CHAIRMAN. It has every earmark of a recorded conversation having been transcribed. That is the way it looks.

You state under oath, though, that you didn't do it. All right.

Senator GOLDWATER. Mr. Smith, how much does your company spend advertising each year?

Mr. SMITH. I do not have that figure, and I wouldn't want to hazard a guess. But if it would be helpful, I will obtain that information for you. I don't know.

Senator GOLDWATER. What is your total volume?

The CHAIRMAN. Senator Goldwater, if you would like for him to do it, we will permit you to file that.¹

Senator GOLDWATER. I thought that you might know it. What is your total volume?

Mr. SMITH. About \$120 million a year. You mean revenue?

Senator GOLDWATER. Yes, your income.

Mr. SMITH. I think that is the figure, \$120 million.

Senator GOLDWATER. Will you spend in excess of \$1 million in advertising?

Mr. SMITH. I do not know, Senator, what the amount is, whether it is that much.

Senator GOLDWATER. Are you approached during the year for ads in, say, convention programs like the bar association?

Mr. SMITH. Yes; we have many requests that come in from our field offices for advertisements, and for all kinds of publications, and on a local basis.

Senator GOLDWATER. American Legion conventions, and Veterans of Foreign Wars conventions, and bar associations, and medical associations conventions?

Mr. SMITH. Well, I can't name them, but I know we get many requests.

Senator GOLDWATER. Are you rather generous in granting those requests?

Mr. SMITH. No; we are not, because once we get started with them there is just no end to it. It has been the policy of the company not to support all of these publications that come to us, and especially year books.

I remember the high school year books, such as that, and we have had numerous requests to do that but we did not support them for fear that we would just be continually plagued with those year books.

Senator GOLDWATER. To your knowledge have you had other pressure type of publications approach you?

Mr. SMITH. Not to my knowledge, no.

Senator GOLDWATER. Have you ever had any letters from this publication or others indicating that if you didn't take an ad they could run a news story that would be derogatory to your company?

Mr. SMITH. No, Senator, I don't know of anything like that that we have ever received, a letter like that.

¹ Shortly after his appearance before the committee Mr. Smith provided the requested information by letter as follows: The company spent for advertising during 1957, \$493,105, and in 1956, \$520,536.

Senator GOLDWATER. I came in late, and I apologize for it, and I don't know what the counsel is getting at, but if he believes that this type of solicitation of a businessman is something unusual, as a businessman I can assure him it is not.

It is a pest, and it is a pain in the neck, and the fact that you paid \$500 for an ad in a union booklet is not unusual unless it was accompanied by threats or accompanied by a suggestion that if you did it you might benefit at the bargaining table.

Mr. SMITH. No, Senator, there was nothing like that in any of the contacts I have had with any of the solicitors from this publication. As I stated before, in reviewing the files and going back to the time that our contributions started, I can only assume that it started for the area development benefits of the State of Pennsylvania, and for an educational program which the American Federation of Labor supported.

Senator GOLDWATER. Let me ask you this: I imagine that your labor unions put out rather sizable issues of their press on Labor Day. Are you asked to contribute substantially to the Labor Day publications?

Mr. SMITH. No, sir; I don't know of any contribution that we make, Senator, to publications like that.

Senator GOLDWATER. That is all.

Senator CURTIS. How many counties in Pennsylvania does your company operate in?

Mr. SMITH. We operate in 29 counties, and about 750 communities in that 29-county area.

Senator CURTIS. That is all.

The CHAIRMAN. Call the next witness.

Mr. KENNEDY. Mr. Slattery.

The CHAIRMAN. You do solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SLATTERY. I do.

STATEMENT OF ROBERT SLATTERY, ACCOMPANIED BY HIS COUNSEL, OWEN B. RHODES

The CHAIRMAN. State your name, your place of residence, and your business or occupation.

Mr. SLATTERY. My name is Bob Slattery, and I live at 716 Mount Pleasant Road, Bryn Mawr, Pa. I am a vice president of the Penn Mutual Life Insurance Co., of Philadelphia.

The CHAIRMAN. You have counsel with you, do you?

Mr. SLATTERY. Yes, sir. Owen B. Rhodes, 1600 No. 3 Penn Center Plaza, Philadelphia, Pa.

The CHAIRMAN. We will proceed.

Mr. KENNEDY. Mr. Chairman, once again we are making inquiry today into the imposition on both labor, legitimate labor officials, as well as businessmen, by some of these publications which turned out to be racket publications, and we called this witness, as well as other witnesses, who can throw some light on the contributions that they made and why they made the contributions.

Now, Mr. Slattery, your company received a letter from Mr. McDevitt, or purportedly from Mr. McDevitt, president of the Pennsylvania Federation of Labor, in February of 1950?

Mr. SLATTERY. Yes, sir.

Mr. KENNEDY. Here is a copy of the letter.

The CHAIRMAN. I hand you a photostatic copy of the letter counsel has referred to, dated February 14, 1950, and I will ask you to examine it and state if you identify it as a copy?

(A document was handed to the witness.)

Mr. SLATTERY. I identify it; yes, sir.

The CHAIRMAN. It may be made exhibit No. 44.

(Document referred to was marked "Exhibit No. 44," for reference, and may be found in the files of the select committee.)

Mr. KENNEDY. It is dated February 14, 1950:

DEAR MR. ADAMS: A very important matter has developed within the Pennsylvania State Federation of Labor, AFL, which I am sure is of great concern to both of us.

I have asked my personal representative, Mr. Sam Kessler, to contact you and you may expect to hear from him within the next few days.

Any courtesy extended to him will be greatly appreciated.

That is signed, purportedly, by Mr. McDevitt.

Senator CURTIS. Is that Mr. McDevitt's signature?

Mr. KENNEDY. No; it is not.

Senator CURTIS. Did he authorize it?

Mr. KENNEDY. No.

Senator CURTIS. He didn't know anything about it?

The CHAIRMAN. That is his testimony.

Senator GOLDWATER. Is that the same James L. McDevitt who is head of political education for the AFL-CIO?

Mr. KENNEDY. The same one.

Senator CURTIS. Was it typed in his office?

Mr. KENNEDY. No.

Senator CURTIS. Who is the stenographer down here?

Mr. KENNEDY. The stenographer where?

Senator CURTIS. The letter purports to be dictated by JLM, and then a colon, and MJL.

Mr. KENNEDY. She was Mr. Lapensohn's secretary. All right?

Senator CURTIS. I don't know whether it is all right.

Mr. KENNEDY. I mean is it all right for me to continue?

Senator CURTIS. Yes.

Senator GOLDWATER. Have you checked with her to make sure that that is not Mr. McDevitt's signature?

Mr. KENNEDY. We have checked and found that these letters went out over this signature, and that it was not Mr. McDevitt's signature.

Senator CURTIS. Well, doesn't this cover the same period of time where Mr. McDevitt's organization made something over \$200,000 profit out of this thing?

Mr. KENNEDY. I think we have already gone into that.

The CHAIRMAN. We have that all in the record here.

Senator CURTIS. I know it is in the record, but I can't understand why he wouldn't know anything about it when it was turning up a profit all of the time.

The CHAIRMAN. He knew about it, and he says he knew about the arrangements. They arranged for Lapensohn, and he made a contact with him in which he got 60 percent of any moneys they received for ads, and the union got 40 percent, and they put out a yearbook which they didn't publish any more after 1953.

Mr. Lapensohn had a contract each year to do the soliciting, and to get the ads or contributions to go in this yearbook. Mr. Lapensohn got 60 percent, and the union got 40 percent.

Now, Mr. McDevitt testified and we showed him a number of these letters, and he denied the signature, and he denied that he authorized the sending of these letters as they were written. He said that he did authorize them to write a letter and say that their representative would call on them.

Senator CURTIS. But he did authorize the contract with Lapensohn?

The CHAIRMAN. Oh, yes. They had a contract, and it was just by exchange of letters, but it ran from year to year, and they renewed it at the end of each year, and that is substantially what the record shows here this afternoon.

Now, Mr. McDevitt testified with respect not to every one of these, but the signatures are the same, and he testified positively he did not sign them.

Senator CURTIS. It is strange he didn't get an answer to some of them that would call his attention to them.

The CHAIRMAN. He said he did not authorize them to be signed. I think the answer came by the fellow calling on them right away.

Mr. KENNEDY. They were just appointment letters, and as we pointed out at the beginning, this was a procedure and a practice that was not only used in Pennsylvania but it has been used in other States, and we are inquiring into the results of this procedure and practice, and in the course of our investigation we found that as to many of the union officials who were connected with it, there were improper activities going on by the paper or magazine which was unknown to them.

Mr. McDevitt has testified that he was in that position and we will find the officials in New York were also in that position.

(At this point, the following members were present: Senators McClellan, Curtis, and Goldwater.)

Senator CURTIS. Has it been established whether or not the stationery used was reproduced by Lapensohn's outfit, or whether it was furnished by Mr. McDevitt's Pennsylvania Federation of Labor?

Mr. KENNEDY. I believe that all of this stationery which they used, which Mr. Lapensohn's organization used, was all printed up by them and the cost was paid by them.

Senator CURTIS. Whose address is Colonial Building, 1237-9 Market Street, Philadelphia?

Mr. KENNEDY. That used to be Mr. Lapensohn's office.

Senator GOLDWATER. Was Mr. Lapensohn a union member?

Mr. KENNEDY. He was a businessman.

Senator GOLDWATER. There are a lot of people who go around the country promoting deals like this. The woods are full of them. What is particularly bad about him? I don't defend him, but I don't know anything about him.

Mr. KENNEDY. We have had 9 days of hearings on him, Senator.

Senator GOLDWATER. I have been busy with your brother.

Mr. KENNEDY. He did a lot of things.

Senator GOLDWATER. I am serious. Has he a criminal record?

The CHAIRMAN. He is, at least now, a fugitive from justice, as I term it, because we can't get him; we can't find him; he is sailing the high seas. As soon as he found out we wanted him, he made his getaway.

Senator GOLDWATER. Is there something different in this operation than in a normal operation of this type that goes on? In fact, you will probably find a number of firms downtown who have been in on a deal like this. I am sure there are some in every city. Is there something particular about this?

Mr. KENNEDY. We were inquiring into the propriety of this type of operation, where the sole purpose appeared to be just a money-making scheme, and there was not a service that they were performing, particularly, for the working man.

Mr. George Meany has already condemned a number of these publications. We have been inquiring into Mr. Lapensohn's activities. We found that he operated this magazine in Pennsylvania. We found that what he was doing was an imposition on many businessmen; that he was also doing things that were improper and which were an imposition on the Pennsylvania Federation of Labor. He then set up a magazine in New York State, the New York Federationist. We have been inquiring into those activities and have found that it is very possible he might have misappropriated large sums of money.

We are trying to develop all of that because of the question as to whether this kind of magazine, as apart from legitimate labor newspapers, are proper, and whether it isn't really an organized shake-down of employers.

Senator GOLDWATER. Then you are interested in Mr. Lapensohn's personal connection with this, rather than the system of raising money by this means; is that correct?

Mr. KENNEDY. No. I would think that we are also interested in the system followed by the Lapensohn organization in Pennsylvania, which was also followed by the Lapensohn organization in New York. We have found that it was followed by a number of different organizations throughout the country. I don't believe that the full facts have been known to legitimate labor. We felt that relating these facts before the committee would give an idea to the members of the committee, to the Members of Congress, as to whether legislation was needed in order to deal with this system, which amounts, really, to a racket.

Senator GOLDWATER. The Junior League in my city, I think, made \$23,000 off of the same type of a deal. We pay for an open golf tournament every year by the same methods. I would hate to see you, by this, stop what is a rather productive way of getting money for charity and hospitals and other things. If there is something wrong with Mr. Lapensohn, himself, I would like to dig further into it. But, as a businessman, I see it going on every year in rather substantial quantities.

The CHAIRMAN. Let the Chair ask whether he thinks this would be wrong. We have had testimony this afternoon of a businessman paying \$1,000 a year because they suggested to him they could ease

his labor troubles, and they immediately eased. He said he was paying simply for that purpose. I think it is a shakedown.

Senator GOLDWATER. If that is the case, I certainly have no objection. I am not objecting. I am trying to find out, Mr. Chairman. This is not an unusual thing. It goes on at all levels. But if it is connected with threats or deals, then, certainly, it is phony.

The CHAIRMAN. That is the testimony. This fellow Lapensohn was involved in strikes and in violence and other things up there. He has connected the whole thing by showing how far his operations extended. He has imposed on unions and on business.

Senator GOLDWATER. If a businessman contributes, as a result of a threat, or, to put it another way, if a businessman contributed because he has been told that he can get something out of the union by doing it, the businessman is to blame. But if the businessman has contributed, as he does, to many other publications of this type, I cannot see what it is.

The CHAIRMAN. Without arguing the point, I will accept, for the moment, your statement that the businessman is to blame. But this committee is charged with looking into both businessmen and labor, with respect to this. If a practice is going on like that, I don't know how you can describe it as anything less than extortion.

Senator GOLDWATER. If that is the case, it is true. But I would not want the implication to go out that, on all of the publications of this type, any businessman who puts an ad in a labor newspaper on Labor Day, or who puts an ad in the Junior League magazine, might be said to be doing it because of pressure, and thereby condemned in a general way.

The CHAIRMAN. I have never felt that anyone should judge all labor unions by what we have exposed in some few. But, nevertheless, where it does occur, and where these things happen, they are improper practices. I wouldn't convict all labor unions on what we may have developed here and may hereafter develop. But we do find these things occurring. I think this particular thing may be the basis for legislation that is needed. Where people will go around and use the name of the union, and hold out an inducement of labor peace and so forth, I think it might well be the subject of legislation, when they take pay for it, and on the basis that they can take care of their labor problems. Anyway, the record is made so far. Proceed with the witness.

Mr. KENNEDY. Mr. Slattery, you received this letter that we discussed, purportedly written by Mr. McDeviee. Then Mr. Samuel Kirsch came by to see your company, did he not?

Mr. SLATTERY. Yes. May I say, Mr. Kennedy, that I did not come back with the Penn Mutual until May of 1950.

This letter was in February of 1950 and was addressed to the president of the company. As I understand it, Mr. Kirsch then did come in to see him; Kirsch was referred to the advertising division of our company.

Mr. KENNEDY. Then did you get in touch with the better business bureau in Philadelphia, your company?

Mr. SLATTERY. Then sometime, someone in the company got in touch with the better business bureau.

Mr. KENNEDY. Did they give you a report on Mr. Lapensohn and on the Pennsylvania Federationist?

Mr. SLATTERY. A report was in our files.

Mr. KENNEDY. That was highly critical of this operation, was it not?

Mr. SLATTERY. Yes.

Mr. KENNEDY. And pointed out that the solicitors for the Pennsylvania Federationist worked on a commission basis, that there had been complaints as to the way they operated, and that Mr. Lapensohn generally had a bad reputation.

Mr. SLATTERY. But I did not see that——

Mr. KENNEDY. I just asked you whether that was there.

Mr. SLATTERY. Yes.

Mr. KENNEDY. And that Mr. Lapensohn was receiving 60 percent of all the receipts that came from the ads that he was able to place; is that right?

Mr. SLATTERY. Yes.

Mr. KENNEDY. Despite this rather critical report of Mr. Lapensohn and his activities, your company agreed to take a \$250 ad each year; is that right?

Mr. SLATTERY. About that, yes. I think it was \$225 the first year and \$250 the next year.

Mr. KENNEDY. It was \$225 in 1950, is that right, and \$250 each year after that?

Mr. SLATTERY. Yes.

Mr. KENNEDY. You had received one of these cards, had you not, which stated that there was no commission, no agency or salesman commission paid?

You received one of those cards?

Mr. SLATTERY. I think so.

Mr. KENNEDY. But you knew from the better business bureau, in fact, a commission was paid Mr. Lapensohn and those who worked for him?

Mr. SLATTERY. I did not know that.

Mr. KENNEDY. You were not aware of that from the better business bureau?

Mr. SLATTERY. No, sir; I absolutely was not.

Mr. KENNEDY. You continued to pay the \$250 each year until 1954?

Mr. SLATTERY. Yes, sir.

Mr. KENNEDY. Did you receive an ad?

Mr. SLATTERY. No; we did not put an ad in.

Mr. KENNEDY. Are your employees organized?

Mr. SLATTERY. No, sir.

Mr. KENNEDY. They are not members of the AFL-CIO. You just paid the \$250?

Mr. SLATTERY. As a contribution to the Pennsylvania Federation of Labor.

Mr. KENNEDY. Did you pay it in order to insure that you would not have difficulties with the A. F. of L.?

Mr. SLATTERY. I did not. It was a contribution to the Pennsylvania federation.

Mr. KENNEDY. Why were you anxious to contribute to the American Federation of Labor; you, who were not organized?

Mr. SLATTERY. I felt it was a good organization.

Mr. KENNEDY. You felt it was a good organization?

Mr. SLATTERY. Right.

Mr. KENNEDY. Did you send \$250 in prior years to the American Federation of Labor?

Mr. SLATTERY. No.

Mr. KENNEDY. You just liked the American Federation of Labor; is that right?

Mr. SLATTERY. The Pennsylvania Federation of Labor was a local organization. We were domiciled in the State of Pennsylvania, and I felt it was a good thing to do.

Mr. KENNEDY. You felt you were just making a contribution to the Pennsylvania Federation of Labor, the labor organization; is that right?

Mr. SLATTERY. Yes, sir.

Mr. KENNEDY. That is despite the fact that in the files of your company there was a detailed memorandum showing that the Pennsylvania Federationist, the magazine itself, almost amounted to a racket operation, in which Mr. Lapensohn was making the money?

Mr. SLATTERY. I never heard of Lapensohn until October of 1957. I didn't see that report until October 1957.

Mr. KENNEDY. Would you have made the contribution if you had seen your own report?

Mr. SLATTERY. I don't know. I may have.

Mr. KENNEDY. You might have made it anyway?

Mr. SLATTERY. Yes.

Mr. KENNEDY. For what reason would you want to give Mr. Lapensohn this \$250?

Mr. SLATTERY. Well, Lapensohn wasn't calling on us. Mr. Kirsch was the man that came to see us.

Mr. KENNEDY. But this report shows that the Pennsylvania Federationist, the magazine for which Mr. Kirsch worked, was, in fact, run by Mr. Lapensohn, and that he had been involved in this Dock Street produce-area racketeering. They stated that Mr. Lapensohn received 60 percent of all of the advertising receipts. You still would have made the contribution.

Mr. SLATTERY. Let's say I would have considered it.

Mr. KENNEDY. Isn't it a fact that the reason you were paying \$250, and why you would still consider it, is the fact that you wanted to remain on the friendly side of labor?

Mr. SLATTERY. No.

Mr. KENNEDY. It doesn't make any sense that you suddenly start contributing \$250 to this organization, or your company. What was it charged to in your books?

Mr. SLATTERY. Advertising.

Mr. KENNEDY. You didn't get an ad, did you?

Mr. SLATTERY. No.

Mr. KENNEDY. It just doesn't make any sense.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Who can make an inquiry of the better business bureau, anybody?

Mr. SLATTERY. I am not sure, sir. I think perhaps you have to be a contributing member of the better business bureau.

Senator CURTIS. I was just wondering whether Mr. McDevitt had made an inquiry of the better business bureau.

Mr. KENNEDY. I would like to point out, Mr. Chairman, we have had a number of complaints about this kind of operation from businessmen, and we felt that this sort of operation as run by Lapensohn in Pennsylvania and run by Lapensohn in New York was a shakedown.

We had some assistance with the first 3 or 4 witnesses who appeared before the committee, but once again, businessmen, when they are asked to contribute and help and assist the committee and answer questions occasionally are not willing, other than to send in these anonymous letters.

It seems to me, Mr. Slattery, that your company just didn't suddenly get religion and decide in 1950 they would make a contribution of \$250 every year to the American Federation of Labor.

You didn't enjoy or like labor unions that much that you just decided for the company to make a voluntary contribution of \$250.

The reason that you made the contribution, obviously, was for the reason that you wanted to remain on friendly terms with the labor union.

The CHAIRMAN. Have you any comment, Mr. Witness?

Mr. SLATTERY. Sir?

The CHAIRMAN. Have you any comment?

(At this point, Senator Curtis left the hearing room.)

Mr. SLATTERY. I have said we are not organized. There was no threat of organization. You say why did we suddenly get religion. The president of the company received a letter over the signature of Mr. McDevitt, who was president of the Pennsylvania Federation of Labor, that someone was going to call. We made the decision that it was a good thing to contribute to the Pennsylvania Federation of Labor.

The CHAIRMAN. Let me ask you just for information, and you may be correct, how could you make a contribution of that kind and charge it off to advertising?

Mr. SLATTERY. We had originally—

The CHAIRMAN. You got no advertising, as I understand it.

Mr. SLATTERY. No.

The CHAIRMAN. How can that be properly charged to advertising as a business expense?

Mr. SLATTERY. We had originally thought of putting an ad in when the check went out in February of 1950—in August. In August, I believe, of 1950, they wanted to get the ad. We decided that we didn't want to put an ad in because it might subject us to other solicitations, and we didn't want to get into that.

The CHAIRMAN. Then you continued to put ads in there, or to make contributions after that, did you not?

Mr. SLATTERY. Yes, sir. They were renewals.

The CHAIRMAN. You had already decided that you were not going to put an ad in before you made the other contributions. What I mean is that you charge it to advertising. I don't know whether it is a legitimate deduction, if it is just a contribution, a gift, to someone.

I do not know how you could deduct that from your income tax. You don't know either, do you?

Mr. SLATTERY. I don't think we are subject to those same laws.

The CHAIRMAN. Maybe not.

All right. Is there anything further?

Mr. KENNEDY. Mr. Chairman, there is a memorandum which appears in the files of this company dated July 31, 1950, and which says:

DEAR MR. ADAMS: You will recall that in February of this year, we were approached for an advertisement in the yearbook to be published by the Pennsylvania Federation of Labor. We subsequently entered into a contract for a one-half page at \$225.

While in the process of preparing the copy, we learned of some facts through Miss Barber, which would make it unwise for our ad to appear in this publication. I am sure you would want to read the attached.

The attached was this memorandum of the better business bureau. It was based on the fact that the organization, as I understand it, no longer took an ad.

Mr. SLATTERY. The reason we didn't take the ad, put the ad in, was because we did not want to subject ourselves to other solicitations.

The CHAIRMAN. This is from your files, and it is on your stationery. Who is W. J. Probst?

Mr. SLATTERY. He used to be in the advertising division, Mr. Chairman.

The CHAIRMAN. This says:

While in the process of preparing the copy, we learned of some facts through Miss Barber, which would make it unwise for our ad to appear in this publication. I am sure you will want to read the attached.

Was this memorandum attached, the memorandum from the business bureau?

Mr. KENNEDY. Yes.

Mr. SLATTERY. Senator, that entire memorandum was in the file of the advertising division, and the president had never seen it.

The CHAIRMAN. Who is Mr. Adams?

Mr. SLATTERY. He is the President of the Penn Mutual.

The CHAIRMAN. Here is a letter addressed to him, calling it to his attention.

Mr. SLATTERY. It was within the——

The CHAIRMAN. Would you identify those two items, the letter and also the attached.

(Documents were handed to the witness.)

The CHAIRMAN. Is that a photostatic copy of the original memorandum?

Mr. SLATTERY. Yes.

The CHAIRMAN. Is that a photostatic copy of that which was attached to it?

Mr. SLATTERY. Yes.

The CHAIRMAN. They may be made exhibit No. 45-A and B. (Documents referred to were marked "Exhibits No. 45-A, and B, and may be found in the files of the select committee.)

The CHAIRMAN. Are there any other questions?

If not, thank you very much, Mr. Slattery.

The committee will stand in recess until 10:30 in the morning.

(Whereupon, at 4:30 p. m., the committee recessed to reconvene at 10:30 a. m., Wednesday, May 7, 1958.)

(Members of the committee present at the taking of the recess were Senators McClellan and Goldwater.)

INVESTIGATION OF IMPROPER ACTIVITIES IN THE LABOR OR MANAGEMENT FIELD

WEDNESDAY, MAY 7, 1958

UNITED STATES SENATE,
SELECT COMMITTEE ON IMPROPER ACTIVITIES
IN THE LABOR OR MANAGEMENT FIELD,
Washington, D. C.

The select committee met at 10:30 a. m., pursuant to Senate Resolution 221, agreed to January 29, 1958, in the Caucus Room, Senate Office Building, Senator John L. McClellan (chairman of the select committee) presiding.

Present: Senator John L. McClellan, Democrat, Arkansas; Senator Irving Ives, Republican, New York; Senator Barry Goldwater, Republican, Arizona; Senator Sam J. Ervin, Jr., Democrat, North Carolina; Senator Carl T. Curtis, Republican, Nebraska; Senator Frank Church, Democrat, Idaho.

Also present: Robert F. Kennedy, chief counsel; Jerome S. Adlerman, assistant chief counsel; John B. Flanagan, investigator; Leo C. Nulty, investigator; Herbert J. Rose, Jr., investigator; Ralph DeCarlo, investigator; Ruth Young Watt, chief clerk.

The CHAIRMAN. The committee will come to order.

(At the convening of the session, the following members were present: Senators McClellan and Ervin.)

The CHAIRMAN. Call the next witness.

Mr. KENNEDY. Mr. Chairman, I thought it might be well if we called a member of the staff of the committee and put into the record what information we have regarding Mr. Lapensohn's own finances during the pertinent period, during the period of time in which we are interested.

I would like to call as the first witness Mr. Ralph DeCarlo.

The CHAIRMAN. Come forward, Mr. DeCarlo.

TESTIMONY OF RALPH DeCARLO—Resumed

The CHAIRMAN. You have been previously sworn, Mr. DeCarlo.

Mr. Kennedy, you may proceed.

Mr. KENNEDY. Mr. DeCarlo, you have gone through those books and records of Mr. Lapensohn that were made available by his accountants?

Mr. DeCARLO. Yes; I have.

Mr. KENNEDY. Which were not all inclusive; is that correct?

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. There were some books and records missing during the pertinent period of time?

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. But you were able to put together some figures, from the books and records that you were able to examine, as to the state of Mr. Lapensohn's finances during the period of time in which we are interested?

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. He filed a net worth statement, did he not, with the Broad Street Trust Co. in Philadelphia, on February 9, 1956?

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. And what was that net worth statement? What did that show?

Mr. DeCARLO. He showed a net worth at that time of \$323,538.25.

Mr. KENNEDY. And this is during the time that he was acting as a business agent for local 107?

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. So at that time as a business agent for local 107, he was worth \$323,538.25, according to his own figures.

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. During the period of time 1953-57, during that period, for most of that time he was working for local 107; was he not?

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. He started working for 107 in 1954 and continued through 1956. But during that 5-year period, have you been able to determine what the income of Mr. Lapensohn was? That is, that you have found from his books and records, not from his income-tax return?

Mr. DeCARLO. From the books and records that were made available, I have determined that he received \$843,953.78 during that period, and he spent \$836,881.95. Those expenditures, incidentally, except for a few insignificant amounts, do not include food and clothing for himself, his wife, and their two sons.

Mr. KENNEDY. So that is \$843,953.78, which he had as income, and he spent \$836,881.95?

Mr. DeCARLO. That is correct.

Mr. KENNEDY. That is for that 5-year period, and for at least 3 out of those 5 years he was working for local 107?

Mr. DeCARLO. Between 2½ and 3 years; yes, sir.

Mr. KENNEDY. During that period, was there income from unidentified sources?

Mr. DeCARLO. Yes, sir; included in that \$843,953.78, there was \$97,060.81, the source of which we could not determine.

Mr. KENNEDY. In addition to that, was there a good deal of cash used by Mr. Lapensohn during that period of time?

Mr. DeCARLO. During the years 1955 and 1956, Lapensohn's deposits of cash greatly exceeded any prior period or any subsequent period. During that time, he deposited \$36,438.33 in cash, of which \$19,080.59 came from unidentified sources.

Mr. KENNEDY. Let me go through those figures again. For 1955 and 1956, his deposits of cash amounted to \$36,438.33?

Mr. DeCARLO. That is right.

Mr. KENNEDY. Of which \$19,090.59 came from unidentified sources?

Mr. DeCARLO. Correct, sir.

Mr. KENNEDY. And this was, you say, greatly in excess of the cash that was available to him in prior years and the following year, 1957, when he was finished with local 107?

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. Do you have some examples, 2 or 3 examples, of the kind of deposits of cash that he had?

Mr. DeCARLO. Yes; on April 13, 1955, he made a cash deposit of \$5,200. Of this amount, \$4,297.65 could not be identified. On September 28, 1955, he deposited \$2,700 in cash, of which \$2,608.30 could not be identified.

On September 26, 1956, he deposited \$2,500 in cash, none of which could be identified.

On May 27, 1955, he deposited \$1,000 in cash, none of which could be identified.

Mr. KENNEDY. And there are other instances?

Mr. DeCARLO. There are many others, yes, sir.

(At this point, Senator Ives entered the hearing room.)

Mr. KENNEDY. Were you able to determine from the kind of business transactions that Mr. Lapensohn had in connection with local 107 what sort of work he was doing for them? Could you give us an outline of that?

Mr. DeCARLO. The only evidence of work that I could find was the fact that he paid many of the police fines for officers and members of local 107. He paid several magistrate fines.

Mr. KENNEDY. How many fines did he pay for traffic violations, for instance?

Mr. DeCARLO. Well, he paid to the city of Philadelphia, by his own personal checks, 123 fines totaling \$512, most of which appeared to be for traffic violations. Lapensohn noted the names of the persons for whom he was paying the fines on 35 of these checks, and 26 of these names were identified as officers and members of locals 107 and 596.

Mr. KENNEDY. So he paid 123 fines totaling \$512 for traffic violations for other individuals, is that right?

Mr. DeCARLO. That is right, sir.

The CHAIRMAN. Over what period of time?

Mr. DeCARLO. Most of that occurred during 1955 and 1956. There were a few prior and a few subsequent, but not many.

Mr. KENNEDY. Did he also pay fines to magistrates in Philadelphia?

Mr. DeCARLO. Yes, sir. He paid 4 fines to magistrates totaling \$297.18, 2 of which were for members of local 107.

Mr. KENNEDY. What about bail bonds?

Mr. DeCARLO. That is where he spent most of his money. During 1955 and 1956, Lapensohn paid for the bail bonds of at least 21 members of locals 107 and 596. He issued 11 checks totaling \$1,665 in payment for these bail bonds under which the total amount of bail was \$21,900.

Mr. KENNEDY. Would you give those figures again, please?

Mr. DeCARLO. He issued 11 checks totaling \$1,665 in payment for the bail bonds, under which the total amount of bail was \$21,900.

(At this point, Senator Curtis entered the hearing room.)

Mr. KENNEDY. This was for at least 21 members of locals 107 and 596; is that right?

Mr. DeCARLO. That is correct, sir.

Mr. KENNEDY. Is there any explanation for his activities in this field of paying for traffic violation fines, paying magistrate fines, for paying for the bail bonds for the individuals?

Mr. DeCARLO. Except that I noted that during the period of time he was issuing these checks in payment for these fines and bail bonds, about that same period the acts of violence were taking place in Philadelphia, most of them in connection with the Horn & Hardart strike. I believe that some of the staff investigators found that there were about 80 acts of violence during that period.

Mr. KENNEDY. So he was a business agent acting in the capacity of a fixer, or also as a go-between between the law enforcement agencies in Philadelphia and the members of locals 107 and 596?

Mr. DeCARLO. I think that is a very good description of his duties.

Mr. KENNEDY. Where they got into difficulty, got into trouble, and nothing could be done, he paid the fine and paid the charge out of his personal checks, is that right?

Mr. DeCARLO. That is right.

Mr. KENNEDY. But it would appear also that he was being amply rewarded by 107 for these services.

Mr. DeCARLO. Well, there were those 13 checks, the purpose of which could not be identified, which was brought out during the hearings on 107.

Mr. KENNEDY. Did we find out also that he had many business dealings, financial dealings, with officials of 107?

Mr. DeCARLO. Yes. I found that he issued 25 of his personal checks to union officials or members, or on their behalf, totaling \$30,687.51. This is exclusive of the fines and bail bonds.

Mr. KENNEDY. Was he also in the insurance business as well as working for 107?

Mr. DeCARLO. Yes, he was selling insurance. For instance, during 1955 and 1956 he sold \$15,559.34 worth of insurance, of which \$8,064.50 was sold to local 107.

Mr. KENNEDY. Local 107 or the members of 107?

Mr. DeCARLO. To local 107 and a few of the members.

The CHAIRMAN. Let me ask you this question: Was he drawing a salary from 107 at that time?

Mr. DeCARLO. Yes, sir.

The CHAIRMAN. He was an employee?

Mr. DeCARLO. He was an employee.

The CHAIRMAN. Drawing a salary?

Mr. DeCARLO. Drawing a salary.

The CHAIRMAN. And also selling insurance and making a profit off of that?

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. In addition, he had all these checks amounting to a considerable amount of money drawn to him over this period of time, which are completely unexplained in the records of 107.

Mr. DeCARLO. Yes, sir.

Mr. KENNEDY. I believe that is all, Mr. Chairman, at this time.

The CHAIRMAN. Are there any questions from any member?

Senator CURTIS. Yes, Mr. Chairman.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. I was a few moments late. To what extent did you audit Mr. Lapensohn's books, over what period of time?

Mr. DeCARLO. From 1953 through 1957.

Senator CURTIS. Did it involve his personal books and the business organization that he had set up, both?

(At this point Senator Ives withdrew from the hearing room.)

Mr. DeCARLO. My testimony today is on his personal books plus what information I took from the various corporations that he has under his control. In other words, the funds that he drew from them and the funds that he put into it.

Senator CURTIS. I am not limiting to your testimony today, but I want to know for background information. Have you audited all of Mr. Lapensohn's business transactions that you had access to?

Mr. DeCARLO. All with respect to his personal business during that period and Rolee Advertising Agency.

Senator CURTIS. And these companies or advertising agencies that he had?

Mr. DeCARLO. Yes, sir.

Senator CURTIS. You have. What did you find, if anything, in reference to transactions carried on by him in cash as distinguished between checks and drafts?

Mr. DeCARLO. Well, as between his various corporations, he had a few cash transactions but nothing unusual.

Senator CURTIS. Did you find evidence of personal income coming to him in cash?

Mr. DeCARLO. Yes, sir; from the numerous cash deposits that he made to his personal checking accounts during 1955 and 1956.

Senator CURTIS. Were those sizable amounts?

Mr. DeCARLO. Yes, sir.

Senator CURTIS. Were you able to trace the origin of them?

Mr. DeCARLO. No, sir.

Senator CURTIS. Did he pay his day-to-day expenses in cash, do you know?

Mr. DeCARLO. Evidently, because I saw no evidence of invoices or anything else, or checks, except for his house rental. He paid that by check. He paid some insurance premiums by check. Most of his large business transactions were by check.

Senator CURTIS. Did you find any evidence of financial transactions between Mr. Lapensohn and the Pennsylvania State Federation of Labor?

Mr. DeCARLO. Yes, sir.

Senator CURTIS. What did you find?

Mr. DeCARLO. I found that Mr. Lapensohn, as the owner of Rolee Advertising Agency, was paid something in the neighborhood of \$481,000 as commissions for sales of advertisements and contributions to the State Federation.

Senator CURTIS. He paid commissions to them?

Mr. DeCARLO. The State Federation of Labor paid them to Lapensohn.

Senator CURTIS. How would they be paid?

Mr. DeCARLO. By check.

Senator CURTIS. Who would sign those checks?

Mr. DeCARLO. Mr. Earl Bohr.

Senator CURTIS. Just one signature?

Mr. DeCARLO. I don't remember. I am pretty certain that Earl Bohr signed them.

Senator CURTIS. Many of those checks have a signature and a countersignature; is that true?

Mr. DeCARLO. Yes, sir; many of them do.

(At this point, Senator Church entered the hearing room.)

Senator CURTIS. Did you find any other transactions with the State federation of labor?

Mr. DeCARLO. No, sir.

Senator CURTIS. With any officers in the State federation of labor?

Mr. DeCARLO. I found one transaction, sir, with an officer of the State federation of labor.

Senator CURTIS. What was the nature of that transaction?

Mr. DeCARLO. It was a \$500 check from Ben Lapensohn to James L. McDevitt.

Senator CURTIS. What was the date of that?

Mr. DeCARLO. I don't recall, sir. We have a copy of the check. It is exhibit 499.

Senator CURTIS. Were you able to trace what the purpose of it was?

Mr. DeCARLO. No, sir.

Senator CURTIS. Did you interview either of the parties, the payer or the payee?

Mr. DeCARLO. No, sir; I did not.

Senator CURTIS. Did you find any evidences of any financial transactions between Lapensohn and Food Fair Stores?

Mr. DeCARLO. No, sir; I found no evidence of any transactions between Lapensohn and Food Fair Stores in Lapensohn's records.

Senator CURTIS. Did you find any financial transactions that you could trace between Lapensohn and McDevitt other than the \$500 check?

Mr. DeCARLO. No, sir.

Senator CURTIS. And any other officer in the State federation of labor?

Mr. DeCARLO. No, sir.

Senator CURTIS. That is all.

Mr. KENNEDY. Senator, I interviewed Mr. McDevitt on that matter. Would you like to hear the situation? You asked him whether he interviewed him. I did interview him.

Senator CURTIS. Yes, I would like to hear it. I have been reading Mr. McDevitt's testimony of yesterday. It may be that I will want to cross-examine him about some other matters, too. But I would be glad to hear what counsel has to say.

Mr. KENNEDY. As he explained it to me, he received the \$500 at the time of his marriage, and it was a wedding gift from Mr. Lapensohn.

Senator CURTIS. It was a gift?

Mr. KENNEDY. It was a wedding gift from Mr. Lapensohn to Mr. McDevitt. That is Mr. McDevitt's report.

Senator CURTIS. That is a rather sizable gift under somewhat inappropriate circumstances. That is all.

The CHAIRMAN. Call the next witness.

Mr. KENNEDY. Mr. Reuben Miller.

The CHAIRMAN. Do you solemnly swear the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MILLER. I do.

TESTIMONY OF REUBEN H. MILLER

The CHAIRMAN. State your name, your place of residence, and your business or occupation.

Mr. MILLER. Reuben H. Miller, 2918 Croyden Road, Harrisburg; State employment, with the Commonwealth of Pennsylvania.

The CHAIRMAN. You are employed by the State?

Mr. MILLER. I am, sir.

The CHAIRMAN. In what capacity?

Mr. MILLER. I am in the department of labor—industry and public relations.

The CHAIRMAN. Thank you very much. Do you waive counsel?

Mr. MILLER. Yes, I do, sir.

The CHAIRMAN. All right, Mr. Kennedy.

Mr. KENNEDY. Mr. Miller, how long have you worked for the State of Pennsylvania?

Mr. MILLER. 21 years.

Mr. KENNEDY. In 1948 or thereabouts, were you contacted by the Pennsylvania State Federation of Labor officials to do some work for them in connection with their periodical?

Mr. MILLER. Yes, sir.

Mr. KENNEDY. By whom were you contacted?

Mr. MILLER. By President McDevitt.

Mr. KENNEDY. What did he request of you at that time?

Mr. MILLER. That their public relations man had passed away in the month of August, and he asked me if I wouldn't come over there on a part-time basis and do their monthly publications, which was an 8 to 16 pages item, and do their annual publication and other public relations work.

Mr. KENNEDY. At that time, what department were you working for?

Mr. MILLER. Labor industry.

Mr. KENNEDY. Did you take that position?

Mr. MILLER. Yes, I did.

Mr. KENNEDY. Did you go along?

Mr. MILLER. I did, sir.

Mr. KENNEDY. What work were you then doing for the State Federation of Labor?

Mr. MILLER. I was doing public relations work for the State federation.

The CHAIRMAN. Was that at the same time you were working for the State?

Mr. MILLER. That is right, sir, in the evenings, Saturdays and Sundays.

Mr. KENNEDY. Did you ultimately start doing some work for the Pennsylvania Federationist?

Mr. MILLER. That came about approximately a year later when I was asked to do advertising work by Mr. Lapensohn, and I cleared that with Mr. McDevitt. I did some advertising work in the nearby areas.

Mr. KENNEDY. In the Harrisburg areas?

Mr. MILLER. That is right, sir.

Mr. KENNEDY. Were you soliciting advertising for the magazine then?

Mr. MILLER. That is right.

Mr. KENNEDY. Were you also acting as a public relations man, or one of the public relations men, for the State Federation of Labor?

Mr. MILLER. That is right. I was the only one, sir.

Mr. KENNEDY. And you were also soliciting ads for the Pennsylvania Federationist?

Mr. MILLER. That is right.

Mr. KENNEDY. And you were also working for the Department of Labor in Pennsylvania?

Mr. MILLER. That is right.

Mr. KENNEDY. From whom would you solicit these ads? Did you solicit ads from the State of Pennsylvania officials?

Mr. MILLER. I didn't, not from the officials. From the departments.

Mr. KENNEDY. From the various State of Pennsylvania departments?

Mr. MILLER. They had advertising budgets and agencies, and I solicited in the form of a letter to the various departments, asking if they would place an ad with the Federationist. I got this lead from the Pennsylvania Newspapers' Association. They had the ads from the various departments, and I thought that it might be a source of advertising for the Federationist.

The CHAIRMAN. What were your duties at that time for the State?

Mr. MILLER. I was in procedure work, sir.

The CHAIRMAN. What do you mean by that?

Mr. MILLER. Procedure analyst. Growth procedures for the department that I was connected with.

The CHAIRMAN. Were you in a position to make any decisions with respect to policy?

Mr. MILLER. No, sir. I was one of the minor employees in the department.

The CHAIRMAN. What was your salary at that time?

Mr. MILLER. Between four and five thousand dollars a year.

The CHAIRMAN. From the State?

Mr. MILLER. Yes, sir.

The CHAIRMAN. You were not in a position of policymaking?

Mr. MILLER. No, sir.

Mr. KENNEDY. What was your official position?

Mr. MILLER. At that time I was a procedure analyst.

Mr. KENNEDY. And what would you receive as far as these commissions, while you were working for the Pennsylvania Federationist?

Mr. MILLER. During the year, I would earn about—1 year about \$800.

Mr. KENNEDY. What percentage would you receive?

Mr. MILLER. 30 percent.

Mr. KENNEDY. Were most of the ads that you sold, sold to the departments of the State of Pennsylvania?

Mr. MILLER. Well, I would say about half of them, sir.

Mr. KENNEDY. And you continued on in this capacity, working for the State and working for the Federation of Labor, and working as a solicitor for the Pennsylvania Federationist to what period of time?

When did you discontinue that?

Mr. MILLER. Up until 1950. At that time they offered me full employment, but I declined it because I had had some 15 years with the Commonwealth.

Mr. KENNEDY. So you discontinued your association with the Pennsylvania Federation of Labor?

Mr. MILLER. That is right, sir.

Mr. KENNEDY. And also with the Pennsylvania Federationist?

Mr. MILLER. No, I continued that up until 1953, on a declining basis. The departments and some of the advertisers just discontinued their placement of advertising.

Mr. KENNEDY. Did you begin your own magazine then?

Mr. MILLER. In 1952 I was approached by the building construction trades in the area, and I contracted to do a publication for them. That is, the complete publication. Then it continued in 1953.

Mr. KENNEDY. What was that publication called?

Mr. MILLER. At first it was called the Building Construction Trades Annual and then it was called the Pennsylvania Trade Unionist.

Mr. KENNEDY. What were your financial arrangements then with the Harrisburg Building and Construction Trades Council?

Mr. MILLER. To pay them—to do the publication and pay all the expenses of printing and to pay them from \$3,000 to \$4,000.

Mr. KENNEDY. Under the initial contract, how much were you to give them, what percentage?

Mr. MILLER. Initially it was 20 percent.

Mr. KENNEDY. You were to keep 80 percent and they were to get 20 percent?

Mr. MILLER. That is right.

Mr. KENNEDY. You were to be the official publication of the Harrisburg Building Trades Council?

Mr. MILLER. That is right.

Mr. KENNEDY. Later, you made another agreement that you would pay them anywhere from \$3,500 to \$4,500?

Mr. MILLER. That is right, plus the publication, which ran around \$4,000 in printing, and all the mailing, et cetera.

Mr. KENNEDY. What was the circulation of the publication?

Mr. MILLER. About 800.

The CHAIRMAN. Is this the publication to which you refer, this document?

Mr. MILLER. Yes, sir.

The CHAIRMAN. That may be made exhibit No. 46.

(The document referred to was marked "exhibit No. 46" for reference, and may be found in the files of the select committee.)

Mr. KENNEDY. Did you employ some solicitors?

Mr. MILLER. I did, sir.

Mr. KENNEDY. Did you employ John Bokal?

Mr. MILLER. In 1953, when he left the federation, he offered to come with the publication which I had, and I employed him.

Mr. KENNEDY. Did you know at that time that he had this long criminal record?

Mr. MILLER. No, sir. I want to emphasize that I knew nothing of his record whatsoever.

(At this point, Senator Goldwater entered the hearing room.)

Mr. KENNEDY. And you sent out letters, did you not, over the signature of Edward H. Miller, secretary-treasurer?

Mr. MILLER. That is right, sir.

Mr. KENNEDY. Did he give you permission to send out these letters?

Mr. MILLER. Originally, he did, just for appointment letters, and, of course, then we had followup letters. The original agreement on letters was with the predecessor, Mr. Stewart.

The CHAIRMAN. Who gave you permission to send out the letters?

Mr. MILLER. The appointment letters were a general practice, and it was understood that I would send them out. That was the secretary-treasurer, Mr. Miller, Edward Miller.

The CHAIRMAN. Edward Miller, secretary-treasurer of the——

Mr. MILLER. Of the building trades, Senator.

Mr. KENNEDY. What about Ralph Lyons; did you send letters out over his signature, also?

Mr. MILLER. I did.

Mr. KENNEDY. He is president of the Harrisburg Building Council?

Mr. MILLER. He isn't now. He was at the time.

Mr. KENNEDY. Did he give you permission to send the letters out?

Mr. MILLER. He didn't, but it was part of the arrangement of co-operation which the building trades gave initially, and those letters were followups as a result of conversations by our solicitor. In other words, if our solicitor would talk to anyone and make some arrangements, then we could follow up.

Mr. KENNEDY. Did you have permission to send out a letter such as this to Mr. Smith, of the Pennsylvania Power & Light Co.:

DEAR MR. SMITH: You have probably read about our recent convention and the problems which were presenting themselves regarding the merging of the American Federation of Labor with the CIO. At the same convention, other problems arose affecting the Pennsylvania trade-union movement. I have asked our Mr. John Bokal to contact you and acquaint you with these matters, which I know you will be vitally interested in, which have an important effect on the labor-management relations in your company.

That is, certainly, more than an appointment letter.

Mr. MILLER. It wasn't the usual appointment letter, but we did send out letters of different types.

Mr. KENNEDY. This would have a very strong effect, I would think, on the individual who received the letters, who has difficulties or problems that he might have to face with labor unions. Here is another letter to Mr. Huebner, of the Pennsylvania Power & Light Co.

We want to take this opportunity to commend you for the support which you and your company have given the labor movement in the past, and the building trades of the A. F. of L. in particular. You are probably aware that we are opposed to further encroachment by the Government in the public-utility field, for such action tends to destroy the basic concepts of the free-enterprise system and the American way of life.

Then you go on in the rest of the letter. They are far more than appointment letters. You didn't have authorization to send out those kind of letters, did you?

Mr. MILLER. That letter was a result of a contact with, I think it was, Mr. Bokal, and we then made the offer—I am not sure—made the offer to have them write or have them take space in our publication.

Senator CHURCH. I don't believe these answers are responsive to the question. The question is did you have authority from the labor

council to write these letters, the letters that have been specifically referred to.

Mr. MILLER. The authority may have been in more of a broad nature, in that they authorized the solicitation of advertising, and the extent of the solicitation was such that in these cases we asked for space; we asked for the sale of space. It was followup correspondence.

Mr. KENNEDY. In that connection, let me read the first paragraph of a letter of February 9, 1957, to Mr. Palmer.

DEAR MR. PALMER: We wish to express our sincere thanks for the courtesy extended to our representative, Mr. John Bokal, who spoke to you relative to the renewal of your advertisement in our official publication. As Mr. Bokal explained, the proceeds from the support which comes from the Pennsylvania Trade Unionist provides for our educational and community participation programs, which are so vital to our organization.

With the merger of the A. F. of L. and CIO, we have undertaken to enlarge our program for our membership during the coming year.

All they were receiving from this periodical was \$3,000 to \$3,500.

Mr. MILLER. That is right, sir.

Mr. KENNEDY. This is completely misleading, in this paragraph. Don't you agree on that?

Mr. MILLER. I do. I mean it was misleading—it was not misleading in a sense that they weren't doing things in that direction.

Mr. KENNEDY. But, at the beginning, you were getting 80 percent of all of the proceeds, going to a private organization which had nothing to do with labor unions and, after you changed that contract, they were only getting \$3,000 to \$3,500.

Mr. MILLER. That is right.

Mr. KENNEDY. Yet you were trading on the idea that you were a labor publication and that all of this money was going to help the labor unions themselves. It was completely misleading. Don't you agree?

Mr. MILLER. I think so; yes, sir.

Mr. KENNEDY. And you didn't have the authorization to send those kinds of letters; did you?

Mr. MILLER. No, I would say not.

The CHAIRMAN. Mr. Miller, I hand you these three letters that counsel has referred to, and I ask you to identify them. They are photostatic copies of the original.

(The documents were handed to the witness.)

The CHAIRMAN. Do you identify those letters?

Mr. MILLER. Yes, sir.

The CHAIRMAN. They may be made exhibit No. 47, A, B, and C.

(The document referred to was marked "Exhibit No. 47, A, B, and C" for reference, and may be found in the files of the Select Committee.)

The CHAIRMAN. As I recall, the power company actually didn't have any ads run; did they?

Mr. MILLER. No, sir.

The CHAIRMAN. You were not advertising for them. You were just getting \$1,000 out of them; weren't you?

Mr. MILLER. \$250 and then \$500; \$250 once and then \$500.

The CHAIRMAN. So you were just getting a contribution, out of which you got 80 percent?

Mr. MILLER. That was circulation advertisement, out of which—

The CHAIRMAN. Did you print any advertisement for them at all?

Mr. MILLER. No, they requested that we do not.

The CHAIRMAN. That is the point I am making. It actually did not go for an advertisement, but was just a donation. That is what it amounted to; wasn't it?

Mr. MILLER. Yes, sir.

The CHAIRMAN. You rendered no service in return for it; did you?

Mr. MILLER. That is right, sir.

The CHAIRMAN. Proceed. Senator Curtis.

Senator CURTIS. Mr. Miller, how long were you an employee of the State of Pennsylvania?

Mr. MILLER. Twenty-one years.

Senator CURTIS. What were those years?

Mr. MILLER. 1938 to the present.

Senator CURTIS. You still are?

Mr. MILLER. Yes.

Senator CURTIS. Is that a civil service appointment?

Mr. MILLER. Yes, sir.

Senator CURTIS. What is your present job description?

Mr. MILLER. Public relations in the Department of Labor and Industry.

Senator CURTIS. The Department of Labor and Industry?

Mr. MILLER. That is right.

Senator CURTIS. What was it back in the late 1940's and early 1950's?

Mr. MILLER. Procedure analyst.

Senator CURTIS. What does a procedure analyst do?

Mr. MILLER. We prepare procedures for the operations of the department that I was connected with.

Senator CURTIS. I want to get these terms straight. The Pennsylvania Federationist, that was Lapensohn's publication?

Mr. MILLER. That was the Pennsylvania Federation of Labor's official publication. That was the one that Mr. Lapensohn did advertising for.

Senator CURTIS. I see. But the paper belonged to the Pennsylvania State Federation of Labor?

Mr. MILLER. That is right, sir.

Senator CURTIS. But that was the publication that Mr. Lapensohn worked through and for; is that correct?

Mr. MILLER. That is right.

Senator CURTIS. Did he have another publication at the same time?

Mr. MILLER. He had a publication later, in New York. He had a publication.

Senator CURTIS. No, I mean in Pennsylvania.

Mr. MILLER. No, sir.

Senator CURTIS. Who first talked to you about going to work on a part-time basis and selling ads or receiving contributions for this State Federationist?

Mr. MILLER. Well, I was with the State Federation of Labor at the time, doing their public-relations work. Mr. Lapensohn approached me when I was in the office of the president of the federation, the then president, and asked me whether I would do this advertising in the Harrisburg area. That was in 1948.

Senator CURTIS. When did you first take up part-time work for the Pennsylvania State Federation of Labor?

Mr. MILLER. It was in 1948.

Senator CURTIS. Did you approach them or did they approach you?

Mr. MILLER. They approached me.

Senator CURTIS. They knew where you worked?

Mr. MILLER. That is right.

Senator CURTIS. Who approached you?

Mr. MILLER. Mr. McDevitt.

Senator CURTIS. What position did he hold then?

Mr. MILLER. He was president of the Pennsylvania Federation.

Senator CURTIS. Where did he approach you?

Did he come to your office?

Mr. MILLER. No, he asked me to come to his office.

Senator CURTIS. He called you up?

Mr. MILLER. That is right.

Senator CURTIS. What did he say to you?

Mr. MILLER. He just asked me to come to the office, and when I arrived there, he told me that their public-relations man had died the week before, and asked if I would do the work until they could secure a full-time man.

That was to be on a part-time basis.

Senator CURTIS. What was the nature of your duties?

Mr. MILLER. To put out a monthly publication, which was a tabloid-size paper, anywhere from 8 to 12 pages, and then to put out an annual publication.

Senator CURTIS. What was this tabloid called?

Mr. MILLER. The Pennsylvania Federationist, but that did not contain any advertising.

Senator CURTIS. It bore the same name as the ——

Mr. MILLER. As the annual publication, but did not contain any advertising.

Senator CURTIS. That was an informational bulletin of some kind?

Mr. MILLER. It was an informational paper that went to each of the local organizations' several officers in the organization.

Senator CURTIS. When did you first meet Lapensohn?

Mr. MILLER. I met Lapensohn at the end of that year.

Senator CURTIS. What year?

Mr. MILLER. That is, 1948.

Senator CURTIS. Where did you meet him?

Mr. MILLER. In the federation offices.

Senator CURTIS. Who introduced you?

Mr. MILLER. He introduced himself, and I had known that he was coming, because he brought the advertising copy that I had to prepare for the publication.

Senator CURTIS. In that first period that you knew Lapensohn, were you ever with him when Mr. McDevitt was present?

Mr. MILLER. Yes, sir; I was.

Senator CURTIS. Had Mr. McDevitt told you about Mr. Lapensohn?

Mr. MILLER. In what respect?

Senator CURTIS. Well, who he was, what the connection was?

Mr. MILLER. Yes, that he was the advertising agent for the State federation, and that he would supply the copy from which I was to prepare the publication. That is, just the advertising copy.

Senator CURTIS. You gathered they were friends?

Mr. MILLER. Yes, I did, sir.

Senator CURTIS. Then when did you begin the activity of soliciting ads for the Pennsylvania Federationist under or in conjunction with Mr. Lapensohn and his associates?

Mr. MILLER. That was in 1949.

Senator CURTIS. Who first mentioned to you that you might undertake such an activity?

Mr. MILLER. Well, it was mentioned by Mr. Lapensohn in the presence of the officers of the federation.

Senator CURTIS. Who were those officers?

Mr. MILLER. Mr. Bohr and Mr. McDevitt.

Senator CURTIS. What was the first name?

Mr. MILLER. Bohr. He is the secretary-treasurer.

Senator CURTIS. And Mr. McDevitt?

Mr. MILLER. That is right, sir.

Senator CURTIS. Where did that meeting take place?

Mr. MILLER. In Mr. McDevitt's office.

Senator CURTIS. In Mr. McDevitt's office?

Mr. MILLER. It was the forward part of the building. I worked in the back part.

Senator CURTIS. And what was the discussion at that time?

Mr. MILLER. Well, I don't recall it clearly, but Mr. Lapensohn asked if I would be interested in doing solicitation of advertising in the Harrisburg area since, as I recall it, he stated that that area was not covered. He didn't have any one solicited in the area.

Senator CURTIS. What did Mr. McDevitt say about it?

Mr. MILLER. Well, what I said was that if it would be all right with the federation, I would try. I said I never did that kind of work but I would try to do it if it was possible.

Senator CURTIS. You said that in the presence of Mr. Bohr and Mr. McDevitt and Mr. Lapensohn?

Mr. MILLER. That is right, sir.

Senator CURTIS. Did the federation officers make a reply at that time?

Mr. MILLER. Well, I asked the question, and it was approved, and then I received an authorization, that is, an official authorization, to do advertising, which was signed by President McDevitt.

Senator CURTIS. Mr. McDevitt gave you a paper signed by him?

Mr. MILLER. As an official representative of the federation to solicit advertising.

Senator CURTIS. You know it was his signature?

Mr. MILLER. Well, I don't know whether it was his signature, sir. It was given to me in the office. I don't know whether he signed it or his secretary signed it.

Senator CURTIS. But you are pretty sure that Lapensohn's secretary didn't sign it?

Mr. MILLER. That is right, I am pretty sure of that.

Senator CURTIS. What did that say?

Mr. MILLER. It just said—I think, as I recall it, it was a To-Whom-It-May-Concern letter, that I represented the Pennsylvania Federation of Labor in the solicitation.

Senator CURTIS. When were you first informed that you were empowered to receive money where there was no ad taken?

Mr. MILLER. You are saying when did they have circulation advertising? We called that circulation advertising.

Senator CURTIS. No; I say when did anyone tell you that you were empowered to receive money from business concerns who took no ad?

Mr. MILLER. Well, that was a practice before I came, sir.

Senator CURTIS. Who told you about it?

Mr. MILLER. No one did, except that they could either take an ad or not take an ad.

Senator CURTIS. How did you find that out?

Mr. MILLER. Just by discussing it. Before I started, I discussed that with Mr. Lapensohn, and it was a common practice.

Senator CURTIS. Did you ever discuss that with Mr. McDevitt?

Mr. MILLER. I didn't discuss it with Mr. McDevitt directly, but I am sure he was aware of the fact, yes, sir.

Senator CURTIS. While your discussion with Mr. Lapensohn was going on, was Mr. McDevitt present for any of those conversations?

Mr. MILLER. Regarding the circulation advertising, or these contributions?

Senator CURTIS. I am talking about the practice of calling on businesses, getting money from them, and they taking no ad. Did Mr. McDevitt know about that?

Mr. MILLER. Yes, sir.

Senator CURTIS. And you are pretty sure he knew about that?

Mr. MILLER. I am positive, sir.

Senator CURTIS. What makes you say that?

Mr. MILLER. Because half of our advertising was that kind of advertising. Half of the funds that were received from the book. I know, because I prepared the advertising copy. Half of it was what was known as circulation advertising. I may say here that that was mostly at the direction of the people that we sold the advertising to. They insisted that their ad not appear in the book, because they didn't want to have other solicitations.

They made it in this form. But they wanted it to be known as advertising. Now, I don't know why they wanted that, but they wanted it to be known as advertising, but they didn't want their ad to appear.

Senator CURTIS. And Mr. McDevitt knew about this?

Mr. MILLER. Yes, sir. It is common practice in these publications. There are many publications, not just labor publications but all publications. There are several hundred in Pennsylvania.

Senator CURTIS. What other publications do that?

Mr. MILLER. Well, there is the magistrates, the Chief of Police—which is the largest publication in Pennsylvania. They have four books. They have an Eastern Chief of Police, a Western Chief of Police, and a Central Chief of Police book. There are the political publications. There are the veterans' publications?

Senator CURTIS. What political publications?

Mr. MILLER. Well, the various publications on a local basis, which may be Republican or Democratic publications. They do the same thing. I mean, they take the position that "We want to give an ad, but we don't want our ad to appear, because we don't want anyone else to solicit us." There are about 200 of these publications that have been functioning for 50 years, of various sorts. They are in every

State in the Union. This practice of not accepting—of calling it circulation advertising and not putting an ad in is a common practice among businessmen. I mean, any man in business is aware of that kind of practice.

Senator CURTIS. Do the businessmen come to those publications and ask to pay for an ad not to be published?

Mr. MILLER. They don't come to the publications, but when the publications come to them—and as I said, there are several hundred in Pennsylvania—they have, in many large companies, what is known as institutional advertising. In other words, you take a large company, like the Pennsylvania Power & Light. I don't know what their budget is, but it may be around a million dollars. They may have, say, \$40,000 or \$50,000 of that as institutional advertising. When a person comes to them and solicits for these annual publications, and, as I say, it is veterans—it goes right down the line—there isn't an organization in Pennsylvania that at one time or another didn't use this type of solicitation.

This isn't just labor publications. The point I want to make is that when you come to them, they ask for your presentation. You make your presentation. In many instances, like the power and light company, they have a committee that reviews all the requests they get. I would venture to say that the power and light company may get anywhere from 3 to 500 requests during a given year.

They have to parcel that money out, that \$40,000 or \$50,000 out to the various publications, and they do it mostly without advertising. That is the point I want to make. They use the advertising fund, they call it advertising, but they don't take an ad, because they don't want solicitation from other publications whom they don't want to give funds to.

Senator CURTIS. Then the business concern, if they say no to a veterans publication, there is always the danger, or at least they might feel that, that it would create ill will if they didn't make it?

Mr. MILLER. That is correct, and the same for the police chiefs or the magistrates. The county commissioners in Pennsylvania have one of the largest publications in Pennsylvania.

In fact, last year, the professional architects asked me if I would be interested in publishing their book. The Gold Star Mothers wanted a publication.

Senator CURTIS. And if a businessman turned them down, it would look like he was unsympathetic; wouldn't it?

Mr. MILLER. That is right, sir.

Senator CURTIS. Then whether this practice is good or bad, it is not initiated by the business concerns; is it?

Mr. MILLER. It is initiated by the organizations that desire to raise funds, and they find—and to have a publication. Some of them desire a nice publication that they can show there their affiliated organizations. It gives them a certain stature.

Senator CURTIS. In other words, it comes to the businessman as a touch for a cause?

Mr. MILLER. As a means of raising funds; yes. And the businessman uses it, rather than as a contribution, he uses it as advertising, in his budget. You take the Pennsylvania Power & Light. They use that as advertising, although it is a contribution.

Senator CURTIS. In other words, we will assume that the vast majority of these people represent a cause of considerable merit——

Mr. MILLER. That is right, sir.

Senator CURTIS. Or at least so accepted by the public, if they have no chance of investigating it, and to prevent from being classified as hostile to such a thing, the businessman responds?

Mr. MILLER. I imagine—I wouldn't say hostile. I would say that some businessmen have a sincere desire to help these organizations.

Senator CURTIS. Mr. McDevitt knew how this was operating.

Mr. MILLER. It was operating the same as any of the other publications; yes, sir. He did know it.

Senator CURTIS. He knew about it?

Mr. MILLER. Yes, sir.

Senator CURTIS. And he knew about how appointments were set up ahead of time for the solicitors to go in and see the businessman? He knew the general practice?

Mr. MILLER. Yes; the general practice in that line of work; yes, sir.

Senator CURTIS. He knew about the letters you would write in advance?

Mr. MILLER. Well, yes; he did know that appointment letters were being made; yes, sir.

Senator CURTIS. And he knew about what was said, in them?

Mr. MILLER. He did, sir.

Senator CURTIS. Suppose the chief of police in their publication implied that certain services would be withheld, or that certain investigations might be made, if an ad were not taken. Would you consider that proper?

Mr. MILLER. I would not, but I would not—I don't know the people that solicit, but there are probably 2,000 or 3,000 solicitors in Pennsylvania that solicit for various publications. I don't know their practices in solicitation, sir. I couldn't say.

Senator CURTIS. I am just using that as an illustration. I have no reason to suggest that the chiefs of police of Pennsylvania have done anything unethical, or either way. I just don't know.

Mr. MILLER. They solicit in their uniform, the police or the firemen.

Senator CURTIS. These letters that have been placed in evidence here the last day or two, which you now tell me Mr. McDevitt knew all about, they did carry a promise to help give the businessman labor peace, didn't they?

Mr. MILLER. No, sir, I wouldn't say they carried a promise. They were in the same nature as any of these other publications, a promise of good will, similar, say, to the police publications or the county commissioner publications or the architect's publications.

Good will to the organization. It was a similar good will.

Senator CURTIS. I want to see the last three letters. What is your first name, Mr. Miller?

Mr. MILLER. Reuben.

Senator CURTIS. Who is Edward H. Miller?

Mr. MILLER. He is the secretary-treasurer of the Building and Construction Trades Council. That is a later publication that I did.

Senator CURTIS. Were any implications made that it would be unwise for a business concern not to give the Pennsylvania Federationist some money?

Mr. MILLER. No, sir. Not from my knowledge and not in my solicitations. I would solicit, just to give my own personal experience, and, of course, I can't speak for anyone else, and I would contact, maybe, 15 or 20 firms before one would take an ad. It wasn't in a sense of any way but the presentation of the facts and their consideration of them.

Senator CURTIS. Do you deny that an impression was not given that by doing this it would help in their labor relations?

Mr. MILLER. Well, it wasn't as far as my sales, and I can only speak for myself.

I never gave that impression, sir. I spoke entirely of the programs of the federation, and that was it.

Senator CURTIS. If it did, if here officers and leaders of the federation or any trade council or anybody else were getting money for personal profit that does help businessmen in their labor relations, it seems to me it would be highly unethical, because these officers have an obligation to their own members, and to not have a conflict of interest and not be in collusion with management, and not accepting favors, gifts, contributions, wedding presents and so on from people with an adverse interest.

If you actually helped businessmen to sell their product, that is a different thing. I can understand, with the power company, that if you could sell the idea to your own membership or to a segment of the population of Pennsylvania, that private power companies were a good thing, there would be no conflict of interest so far as collusion over labor peace is concerned. Certainly, a company has a right to advertise their own product, and that would be a legitimate expenditure and a legitimate chargeoff in their tax return.

Do you think that Mr. McDevitt knew fully about the operation of the Pennsylvania Federationist?

Mr. MILLER. With reference to the types of advertising we sold?

Senator CURTIS. How the whole thing operated.

Mr. MILLER. I think he knew as far as the basic, broad approach to it, that advertising was being sold for the federation. I wouldn't say he knew every contact that was made. He wouldn't know any of them, as a matter of fact, sir.

Senator CURTIS. And he would probably know about what the total business was that was done in a given time, wouldn't he?

Mr. MILLER. Yes, sir, he would know that.

Senator CURTIS. Do you think that his name was being used as president of the State federation of labor, as an entry and in making contacts?

Mr. MILLER. He authorized appointment letters.

Senator CURTIS. Did he authorize anybody else to give appointment letters in his behalf?

Mr. MILLER. No, sir.

Senator CURTIS. Do you have some of those letters that were in evidence yesterday with Mr. McDevitt's name on them, Mrs. Watt?

Mr. Reporter, read the last question and answer, please.

(The last question and answer were read by the reporter, as requested.)

Mr. MILLER. I wish to clarify that last statement. That is, he did authorize the advertising agency. By anyone else, I meant other than the agency to send out appointment letters. Mr. McDevitt authorized to advertising agency.

Senator CURTIS. What was the name of that advertising agency?

Mr. MILLER. The Rolee Advertising Agency.

Senator CURTIS. Who was the head of that?

Mr. MILLER. Mr. Lapensohn.

Senator CURTIS. Mr. McDevitt did authorize Mr. Lapensohn to send out letters in his name?

Mr. MILLER. Yes, appointment letters.

Senator CURTIS. Appointment letters?

Mr. MILLER. That is right.

Senator CURTIS. Do you know about that other than the fact that you just know it happened? Did you ever hear that discussed?

Mr. MILLER. No. That is a matter of practice in this type of publication. I mean, that is the general practice.

Senator CURTIS. Did Mr. McDevitt ever have occasion to see any of those letters that were sent out?

Mr. MILLER. Well, now, if you are speaking of letters other than appointment letters, Mr. McDevitt had no knowledge of those.

Senator CURTIS. I am talking about appointment letters.

Mr. MILLER. Just the simple appointment letter, yes, he was aware of it.

Senator CURTIS. Of the contents?

Mr. MILLER. Yes, sir.

Senator CURTIS. How would he be aware of the contents?

Mr. MILLER. Because it was a form letter. The basic appointment letter, as I recall it, was a 3- or 4-line letter, saying that "So and so will call on you and we will appreciate any courtesy extended to him," something of that nature.

Senator CURTIS. Here is one, which is marked "Exhibit 37," signed James L. McDevitt, and it is to Mr. Duval, of the S. S. White Dental Manufacturing Co.

DEAR MR. DUVAL: I will appreciate your granting an interview with Mr. Samuel Kirsch of our staff at your earliest convenience. He will call to see you, and the subject he will discuss will be of mutual interest. Thanking you for any consideration that may be extended, I am,

Respectfully yours,

JAMES L. McDEVITT.

Mr. MILLER. That was the appointment letter, generally. Something like that.

Senator CURTIS. He would know about that?

Mr. MILLER. No, he didn't know who these letters were going to.

Senator CURTIS. He would know that that type of approach, that that wording would be used?

Mr. MILLER. That is right, sir.

Senator CURTIS. Here is one to Mr. Charles H. Landreth, president of the Penn's Manor Co., Inc., Cornwall Heights, Pa. This is exhibit 34.

DEAR MR. LANDRETH: An important matter has developed with the Pennsylvania Federation of Labor, and I have asked Sam Kirsch, of my staff, to see you personally within the next few days. Thanking you for the courtesy, I am,

Yours truly,

JAMES L. McDEVITT.

He would know that such letters were being sent?

Mr. MILLER. That is right.

Senator CURTIS. Here is another one, exhibit 44, this is to Mr. Adams of the Penn-Mutual.

DEAR MR. ADAMS: A very important matter has developed with the Pennsylvania State Federation of Labor, A. F. of L., which I am sure is of great concern to both of us. I have asked my personal representative, Mr. Sam Kessler, to contact you, and you may expect to hear from him within the next few days. Any courtesy extended to him will be greatly appreciated by me.

Very truly yours,

JAMES L. McDEVITT.

He would know about that sort of a letter going out?

Mr. MILLER. No, he would not, sir. That is not within the scope of the original appointment letter. It may vary somewhat. I didn't get the full implication of the letter you just read. I wouldn't say that it went that far.

He allowed an appointment letter.

Senator CURTIS. To go out bearing his signature?

Mr. MILLER. As the president of the organization, which I would say is a normal practice in these publications.

Senator CURTIS. When you undertook to sell ads and make other collections, did you have any discussion as to who was making the profit out of this activity?

Mr. MILLER. I didn't have any discussion. I knew that the Rolee Advertising Agency was the agency handling the publication, and that the federation and the Rolee Advertising Agency was profiting by the publication, yes, sir.

Senator CURTIS. Did you know about how it was divided, approximately?

Mr. MILLER. Yes, yes, I did.

Senator CURTIS. Did these businessmen know that?

Mr. MILLER. Well, I think there was an assumption there that can be gathered from what I stated before, that most businessmen know that these publications are operated by various advertising agencies or concerns that handle these publications, and that the solicitor is paid and the person operating the publication is also paid, yes, sir.

Senator CURTIS. Did Rolee Advertising and Lapensohn make more money out of this activity than did the State Federation of Labor?

Mr. MILLER. No, sir.

Senator CURTIS. They didn't?

Mr. MILLER. Not from my general knowledge, because I think Rolee Advertising received 60 percent, but he had to pay out 30 to 35 percent in commissions, and he operated the office, et cetera.

So he would not be—he might. No, let me reconsider that.

The federation did have to pay for the publication. That contract called for the federation putting out the publication instead of the soliciting agency. So I would say it would be about the same, or maybe slightly less for the federation. I am not sure of that figure. I wouldn't know the detailed figures.

Senator CURTIS. Do you suppose all these business concerns realized that?

Mr. MILLER. Do they realize what the percentage was? I wouldn't know, sir.

Senator CURTIS. When they are touched for some other cause, whether it is the chief of police, their organization, or whether it is the veterans, is it sort of generally known that a substantial portion of the profit goes to some one other than the organization that is sponsoring it, the sponsoring organization?

Mr. MILLER. I couldn't say that it is generally known, but I think organizations that advertise in these publications, if they do it to any degree, are aware that the person that is soliciting is a salesman, and he is selling space. Certainly he has to be paid for his efforts.

Senator CURTIS. Yes. I think it would be generally accepted that all services performed, all goods furnished, would have to be paid for, and that sometimes the overhead might be very high, and maybe the organization in whose name this activity is carried on does not get too much of it.

But here you have a situation where they don't get all the profit. (At this point, Senator Ervin withdrew from the hearing room.)

Mr. MILLER. Who doesn't get all the profit, sir?

Senator CURTIS. Pennsylvania State Federation of Labor.

Mr. MILLER. They get all the profit that is agreed to in the original contract.

Senator CURTIS. Yes. But they agree that somebody else shall have part of the profit.

Mr. MILLER. The advertising agency.

Senator CURTIS. Yes.

Mr. MILLER. That is right.

Senator CURTIS. They don't just agree that salaries and expenses and goods purchased and so on will be taken care of, but that the advertising agency makes a profit above that. Over what period of time did you run a publication?

Mr. MILLER. From 1952 to the present time.

Senator CURTIS. And what is the name of that publication?

Mr. MILLER. The Pennsylvania Trade Unionist.

Senator CURTIS. For what labor group is that published?

Mr. MILLER. It is the Building and Construction Trades.

Senator CURTIS. What is your contract with them?

Mr. MILLER. That I do a publication for them. I give them three to four thousand dollars. It has been varied during the years.

Senator CURTIS. A year?

Mr. MILLER. Yes. And the publication, the publication which you saw, which runs about 4,000.

Senator CURTIS. You give them about 4,000 copies of the publication?

Mr. MILLER. No. The cost of the publication, in other words, this varies from the Federationist, where the Federationist did the publication I do the publication as the agency, because they don't have anyone to do it.

Senator CURTIS. In other words, you do the publication?

Mr. MILLER. And I give them \$4,000, \$3,000 to \$4,000 in cash.

Senator CURTIS. And how many copies, then, do you give to them for distribution?

Mr. MILLER. Well, I distribute it for them. It runs between 600 and 800 copies. They give me a mailing list.

Senator CURTIS. 600 and 800 copies?

Mr. MILLER. That is right, sir.

Senator CURTIS. And for the right to do this in their name, you give them \$3,000 or \$4,000 a year?

Mr. MILLER. That is right.

Senator CURTIS. How much do you make out of it?

Mr. MILLER. I have averaged about \$6,000 or \$7,000 a year.

Senator CURTIS. That is after you have paid the expenses?

Mr. MILLER. That is after I have paid my commissions and the cost of printing, and all the other things.

Senator CURTIS. That is about the same ratio as Lapensohn.

Mr. MILLER. That is right.

Senator CURTIS. How many people do you employ?

Mr. MILLER. One.

Senator CURTIS. Who is that?

Mr. MILLER. Well, at the present time it is a man by the name of Seigel, Lester Seigel.

Senator CURTIS. Does he have any other employment?

Mr. MILLER. No, sir; that is his full-time employment.

Senator CURTIS. Do you pay him on a commission or a salary?

Mr. MILLER. That is right.

Senator CURTIS. Which?

Mr. MILLER. I pay him on a commission.

Senator CURTIS. What commission do you give him?

Mr. MILLER. Forty percent.

Senator CURTIS. Who signs the letters of appointment for him?

Mr. MILLER. I do.

Senator CURTIS. Whose name do you sign?

Mr. MILLER. The secretary-treasurer of the building-construction trades.

Senator CURTIS. What is his name?

Mr. MILLER. Edward Miller.

Senator CURTIS. Who composes the letters?

Mr. MILLER. Well, it is the regular appointment letter.

Senator CURTIS. Are all of them alike?

Mr. MILLER. No; they are not. Where it deals with a followup, then I will vary it to try to sell the advertisements.

Senator CURTIS. You compose the letters and sign the secretary's name to them?

Mr. MILLER. That is right.

Senator CURTIS. Has he ever asked to see any of those letters or copies?

Mr. MILLER. No; he hasn't.

Senator CURTIS. But he knows about them?

Mr. MILLER. Yes, sir; he does.

Senator CURTIS. And generally who you are sending letters to?

Mr. MILLER. That is right, to employers.

Senator CURTIS. And you would say that in any of the letters that have been referred to here in the testimony, whatever you said in there was in accord with your permission from the secretary-treasurer?

Mr. MILLER. That is right.

Senator CURTIS. Was that the same pattern followed by Mr. Lapensohn and Mr. McDevitt?

Mr. MILLER. No; I think in Mr. McDevitt's case, he restricted the letters to appointment letters.

Senator CURTIS. But they did vary as to the wordage?

Mr. MILLER. They did vary as to the wordage.

Senator CURTIS. But you know that Mr. McDevitt authorized the use of his signature?

Mr. MILLER. Just for appointment letters.

Senator CURTIS. But he authorized Mr. Lapensohn or his agent to use that signature; didn't he?

Mr. MILLER. To use the signature for appointment letters; yes, sir.

Senator CURTIS. When did Bokal go to work for you?

Mr. MILLER. In 1953.

Senator CURTIS. Where did you first meet him?

Mr. MILLER. When I was with the State federation.

Senator CURTIS. Where did you meet him?

Mr. MILLER. In the State federation building.

Senator CURTIS. In whose office?

Mr. MILLER. Well, it was in my office.

Senator CURTIS. Did Mr. McDevitt know him?

Mr. MILLER. Yes, sir; he did.

Senator CURTIS. How long had he known him?

Mr. MILLER. I think he knew him from the time he started to work. I think it was a practice—and I can't be sure—a practice that when a person was put on to sell this advertising, that he did meet with the president of the organization, just an introduction.

Senator CURTIS. When did Bokal start to sell?

Mr. MILLER. For the State Federation of Labor?

Senator CURTIS. Yes.

Mr. MILLER. I don't know. I think it was stated here yesterday that he started in 1947.

Senator CURTIS. May I see that list of arrests of Mr. Bokal?

Did you read it all in?

Mr. KENNEDY. I didn't read it. I summarized it yesterday.

Do you want to see it?

Senator CURTIS. Yes. I would like to see the dates.

The CHAIRMAN. In the meantime, may I ask the witness 1 or 2 questions?

Senator CURTIS. Surely.

The CHAIRMAN. Was any list of prospective clients given to you?

Mr. MILLER. No, sir. No list of clients.

The CHAIRMAN. I mean, the labor union didn't furnish you a list to go see these particular people?

Mr. MILLER. No, sir.

The CHAIRMAN. They never furnished you a list at any time? You were free to solicit generally?

Mr. MILLER. General solicitations, and in most instances we didn't know the person who we were to see.

Senator GOLDWATER. May I ask a question, Mr. Chairman, while they are looking for that list?

The CHAIRMAN. Senator Goldwater.

Senator GOLDWATER. Mr. Miller, you have had experience in putting these publications out, as I believe you testified.

Mr. MILLER. That is right.

Senator GOLDWATER. When you want to get an article written for one of these magazines by George Meany, how do you go about that?

Mr. MILLER. Well, there are several ways. There are articles that are issued by the national A. F. of L., at the time, the CIO, which are for general publication, say as a Labor Day message or what have you. Other than that, it was usually by the State Federation. They would write President Meany to prepare an article which dealt probably directly with Pennsylvania.

Senator GOLDWATER. Mr. Meany might not have known about what was supposed to have been going on with this publication in 1954, but sometime in the past, it might have been last year, he said, referring to these books:

What goes on in the book outside of the advertising is of very little importance. The methods used to secure the advertising are those that we do not approve and no one can approve, and still these books go on year after year.

Mr. Meany had a statement in the 1954 Federationist. Were you working for the organization at that time when that was obtained?

Mr. MILLER. The 1954 publication? I think the article used there was the Labor Day message.

Senator GOLDWATER. That is right. But was his permission necessary?

Mr. MILLER. No, sir; that is not necessary. That is public. That is in their regular press release.

Senator GOLDWATER. How about Mr. William Schnitzler?

Mr. MILLER. The same. It was a Labor Day message.

Senator GOLDWATER. This was a Labor Day statement?

Mr. MILLER. Yes.

Senator GOLDWATER. But your procedure, when you want statements from either leaders of labor or leaders of management or leaders of government, is to ask them for a statement?

Mr. MILLER. To request it. Those were the only two where we used Labor Day messages. The rest were requested and they were prepared for the publication. We sent a copy of the publication with the request so that they could have an idea of what was said before, and the type of publication.

Senator GOLDWATER. And you did not use the permission of these men to run their statements?

Mr. MILLER. Well, all the others——

Senator GOLDWATER. No, I mean of the two I have referred to.

Mr. MILLER. No, sir.

Senator GOLDWATER. You would just run them?

Mr. MILLER. Yes, sir.

Senator GOLDWATER. That is all.

Senator CURTIS. Mr. Miller, you said that Mr. Bokal went to work for the State Federationist in 1947 or 1948?

Mr. MILLER. I think it was stated here yesterday that it was 1947. I don't know when he started. I came in 1948.

Senator CURTIS. But you do believe that Mr. McDevitt knew him well?

Mr. MILLER. Not well, sir. I say that he had met him. I don't know how well he knew him.

Senator CURTIS. Prior to the time you went to work?

Mr. MILLER. He didn't work out of the Harrisburg office. He worked out of the Philadelphia office—out of the advertising agency's office.

Senator CURTIS. Did he ever discuss with you Mr. Bokal's long criminal record of several pages, run-ins with the law?

Mr. MILLER. Mr. McDevitt, I am sure, and myself—I could swear to that—we did not know of his record.

Senator CURTIS. As a matter of fact, his last sentence—I guess he got probation on part of it—just ended in 1945. Certainly somebody coming to work would be asked where they had worked, where they spent their time and where they had lived, don't you think?

Mr. MILLER. As I stated, people were employed by Mr. Lapensohn, not by Mr. McDevitt. They were employed by the advertising agency. They did make a practice of just introducing the individual to the president, since he was representing the Pennsylvania Federation of Labor.

Senator CURTIS. Did he do a pretty good job?

Mr. MILLER. Mr. Bokal?

Senator CURTIS. Yes.

Mr. MILLER. Yes, I would say he did.

Senator CURTIS. It says here his criminal specialty is stock swindler, and larceny. I don't know how that would equip him for selling ads, when there are no ads printed. That is all, Mr. Chairman.

Senator CHURCH. Mr. Chairman?

The CHAIRMAN. Senator Church.

Senator CHURCH. Mr. Miller, did you testify a few minutes ago that you had recently had an offer from the Association of Architects in Pennsylvania to do a similar magazine for them?

Mr. MILLER. That was last year.

Senator CHURCH. Last year?

Mr. MILLER. Yes.

Senator CHURCH. With that magazine, would the arrangement have been comparable to the arrangements you had with the labor organization?

Mr. MILLER. Yes. What we offered them was 25 percent.

Senator CHURCH. You offered them 25 percent. You would take 75 percent, and you would publish the magazine and pay the costs. Whatever balance there was, would be net profit to you?

Mr. MILLER. That is right, sir.

Senator CHURCH. And you would solicit in much the same manner as you solicited for the labor organization, among employers, among businesses?

Mr. MILLER. That is right. In fact, the person who secured the contract—I believe he offered a few percent higher—has done the book for him.

Senator CHURCH. In any of your personal experience, in contacts, doing business on this basis, you never made it a point to say to the prospective advertiser, "I am getting 75 percent of this and the federation is getting 25 percent," did you?

Mr. MILLER. In my capacity as a solicitor, no, I did not. I mean I represented the organization, and just presented it that way.

Senator CHURCH. That is all. Thank you.

The CHAIRMAN. Thank you very much. Call the next witness.

Mr. KENNEDY. Mrs. Eleanor Lefkowitz.

The CHAIRMAN. You do solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mrs. LEFKOWITZ. I do.

TESTIMONY OF ELEANOR LEFKOWITZ

The CHAIRMAN. State your name, your place of residence, and your business or occupation, please.

Mrs. LEFKOWITZ. Eleanor Lefkowitz, 138-41 60th Avenue, Flushing, N. Y.

The CHAIRMAN. Speak a little louder, if you will.

You waive counsel; do you?

Mrs. LEFKOWITZ. Yes; I do.

Mr. KENNEDY. Mrs. Lefkowitz, you were the office manager for Mr. Ben Lapensohn in New York; is that correct?

Mrs. LEFKOWITZ. Yes; I was. I ran his office.

Mr. KENNEDY. Do you still hold that position?

Mrs. LEFKOWITZ. No; I don't.

Mr. KENNEDY. When did you end employment there?

Mrs. LEFKOWITZ. I left in January 1958.

Mr. KENNEDY. You worked there from when?

Mrs. LEFKOWITZ. From October 1949 until January 1958.

Mr. KENNEDY. Mr. Chairman, we are now going into the magazine operation in New York, and Mrs. Lefkowitz is the first witness in connection with that.

The CHAIRMAN. You worked from 1949 to 1958; is that correct?

Mrs. LEFKOWITZ. That is correct.

Mr. KENNEDY. What was the company called in New York?

Mrs. LEFKOWITZ. Rolee Publications.

Mr. KENNEDY. R-o-l-e-e?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. And did you start to work for him shortly after that was set up?

Mrs. LEFKOWITZ. I think they were set up in February or March of 1949 and I started to work for them in October.

Mr. KENNEDY. What was their business?

Mrs. LEFKOWITZ. They operated, they published the New York Federationist, which was the annual publication of the New York State Federation.

Mr. KENNEDY. You published that yearly; is that right?

Mrs. LEFKOWITZ. That is right.

The CHAIRMAN. Will you identify these magazines which I present to you? There are nine of them. Will you state if you identify those as the publications that you are testifying about for the period of 9 years?

(Items were handed to the witness.)

Mrs. LEFKOWITZ. Yes; I do.

The CHAIRMAN. They may be made exhibit No. 48.

They can be numbered letterwise according to the year of the publication.

(Items referred to were marked as Exhibits No. 48-A through I, and may be found in the files of the select committee.)

Mr. KENNEDY. Would you tell the committee a little bit about the setup in the office, how would you operate, and a little of the background, as far as this publication is concerned?

Mrs. LEFKOWITZ. Well, it was an office that had an outer office and five small offices, all of which had doors to them, and various labor solicitors would use the small offices to make their telephone calls to prospective clients.

Mr. KENNEDY. You had a number of solicitors that were working in there?

Mrs. LEFKOWITZ. Yes.

Mr. KENNEDY. How many solicitors did you have working?

Mrs. LEFKOWITZ. Well, there were somewhere around 4 or 5 in the office usually.

Mr. KENNEDY. Would they be there all the year round or would they be there for part of the year?

Mrs. LEFKOWITZ. Part of the year. They would go away and come back again.

Mr. KENNEDY. And these solicitors, did they always use their own name when they would be soliciting advertising?

Mrs. LEFKOWITZ. No; sometimes they used another name.

Mr. KENNEDY. What would be the reason for that? Did you know?

Mrs. LEFKOWITZ. I didn't know. I was given to understand that they sometimes solicited for CIO publications, and, therefore, couldn't use the same name for both publications.

Mr. KENNEDY. For instance, you had a solicitor by the name of David M. Lyons; is that right?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. What other name did he use?

Mrs. LEFKOWITZ. He also used the name of George Mason.

Mr. KENNEDY. And Irving Halperin?

Mrs. LEFKOWITZ. He used the name of Lee Randall.

Mr. KENNEDY. And Harry Jasloe?

Mrs. LEFKOWITZ. He used the name of Henry Bell, I think.

Mr. KENNEDY. Michael Kirk?

Mrs. LEFKOWITZ. Mike Duffy.

Mr. KENNEDY. Maurice Schab?

Mrs. LEFKOWITZ. Ed Wilson.

Mr. KENNEDY. And George Seister?

Mrs. LEFKOWITZ. He uses his own name.

Mr. KENNEDY. Did he ever use the name George Moore?

Mrs. LEFKOWITZ. Not that I know of.

Mr. KENNEDY. These solicitors would make their telephone calls from the office; is that right?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. And did you know of any occasion when they would say that they Mr. Murray of the New York Federation of Labor?

Mrs. LEFKOWITZ. The only one that I know of that used Mr. Murray's name was David Lyons.

Mr. KENNEDY. David M. Lyons?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. He would call these various prospective accounts and tell them that he was Tom Murray; is that right?

Mrs. LEFKOWITZ. Yes.

Mr. KENNEDY. President of the New York Federation of Labor, and that he was calling about this particular matter?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. When they would make these telephone calls, would they discuss any of the issues that might be of interest to the prospective account?

Mrs. LEFKOWITZ. For the most part, I didn't hear their solicitation because they used to work behind closed doors. Occasionally I would hear Mr. Lyons speak with power companies and use the power legislation. But I never heard the complete conversation.

Mr. KENNEDY. That would be that the Federation of Labor was opposing the public power; is that right?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. When he was calling the power companies, he would point that out?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. Was there also the idea that the labor movement against communism and they should help fight communism?

Mrs. LEFKOWITZ. On occasion, yes.

Mr. KENNEDY. Those are the two. Good roads—did they use that?

Mrs. LEFKOWITZ. Yes, for a small period of time.

Mr. KENNEDY. That they were in favor of better roads?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. And they would use that in connection with contractors?

Mrs. LEFKOWITZ. Yes.

Mr. KENNEDY. So they used these three arguments with the prospective accounts, is that right?

Mrs. LEFKOWITZ. Yes.

Mr. KENNEDY. What was the circulation of the magazine?

Mrs. LEFKOWITZ. In numbers I don't know. They mailed the magazine to all the advertisers and to advertising agencies.

Mr. KENNEDY. Was there any general circulation of the magazine?

Mrs. LEFKOWITZ. No.

Mr. KENNEDY. You do not know what numbers the magazine was circulated in? Was it 3,000 or 4,000?

Mrs. LEFKOWITZ. Well, I can only say that 1 year they published perhaps 2,300 and another year 3,200. Most of them were mailed out.

Mr. KENNEDY. So it was anywhere from 2,000 to, maybe, 3,500?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. What about the advertising where individuals would take an ad or pay money but they didn't want an ad actually put in the magazine? Could arrangements be made for that?

Mrs. LEFKOWITZ. Yes; it could.

Mr. KENNEDY. Would you explain that?

Mrs. LEFKOWITZ. Well, if a company didn't want their name to appear in the advertisements, they contributed to the circulation of the publication.

Mr. KENNEDY. What would they be told?

Mrs. LEFKOWITZ. They had the choice of using an advertisement, but it was my understanding that a great many firms didn't want to use the advertisement because other labor publications would solicit them right afterward.

(At this point, Senator Church left the hearing room.)

Mr. KENNEDY. They would just be making a contribution to the magazine; is that right?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. Do you know if any of these people thought or understood they were contributing to a magazine that was actually run and operated by the New York Federation of Labor?

Mrs. LEFKOWITZ. Well, I think on the front piece of the Federationist there is a small statement that says that the New York Federationist is owned and operated by the New York State Federation of Labor. That was the impression.

Mr. KENNEDY. When, in fact, the New York Federationist was owned and operated by the Rolee Publications which, in turn, made a payment to the New York Federation of Labor?

Mrs. LEFKOWITZ. Well, I have always been given to understand that the New York State Federation owned the publication. I didn't know otherwise. But it was run by the corporation that handled the advertising and all the expenses.

Mr. KENNEDY. Do you know what the financial arrangements were between the New York Federation of Labor and the Federationist?

Mrs. LEFKOWITZ. Yes. The New York Federation of Labor received 25 percent and Rolee Publications received 75 percent.

Mr. KENNEDY. And the work that was done was actually all out of your office; was it not?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. The only thing that the New York Federation of Labor received was the payment of 25 percent for the use of their name?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. When these solicitors were going out, did they bring photostats of checks from various companies to show to prospective clients?

Mrs. LEFKOWITZ. Occasionally they would.

Mr. KENNEDY. And these checks would amount anywhere from \$500 up?

Mrs. LEFKOWITZ. Yes.

Mr. KENNEDY. That would show that other large companies had contributed to the magazine?

Mrs. LEFKOWITZ. Yes.

Mr. KENNEDY. Do you know, on the question of advertising service, the circulation payment, what percentage of the accounts just made contributions to the magazine rather than taking advertising?

Mrs. LEFKOWITZ. I don't know, sir.

Mr. KENNEDY. What would happen to the money when it came into the office, Mrs. Lefkowitz, when the individual would bring his money in?

Mrs. LEFKOWITZ. Checks were sent to the New York State Federation of Labor in Albany, usually weekly, and then the Albany office would send the 75 percent share back to Rolee Publications.

Mr. KENNEDY. Was all the money sent up to the New York Federation of Labor?

Mrs. LEFKOWITZ. No.

Mr. KENNEDY. That was what was supposed to have been done, is that right?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. Was that in fact done in all cases?

Mrs. LEFKOWITZ. Not always; no, sir.

Mr. KENNEDY. Let's go to the question of cash. Was there any of the cash that was left out?

Mrs. LEFKOWITZ. There was cash brought into the office that was never sent up; yes, sir.

Mr. KENNEDY. Would you explain that to the committee, how that was done? Certain accounts would pay in cash, would they?

Mrs. LEFKOWITZ. That is right. Certain accounts would pay in cash. They would send it to the office, and it was given, usually, to a solicitor, and the solicitor would turn it over to me to put in the safe next to my desk.

Mr. KENNEDY. Why wouldn't you send the money up?

Mrs. LEFKOWITZ. I was instructed not to send the money up.

Mr. KENNEDY. By whom were you instructed not to send the money up?

Mrs. LEFKOWITZ. Ben Lapensohn.

Mr. KENNEDY. What did he tell you? What were your instructions about this money, this cash that came in?

Mrs. LEFKOWITZ. Well, when I received it, to put it in the safe, and that is what I did.

Mr. KENNEDY. How much money would be involved in these cash payments?

Mrs. LEFKOWITZ. Well, it could be as small as \$20 or \$25, it could be as large as \$500, and I think it went to \$1,000.

Mr. KENNEDY. What happened to this money? Was this still in the safe?

Mrs. LEFKOWITZ. No; I can only assume what happened to it. I went to lunch, and when I came back I found the money wasn't in the safe.

Mr. KENNEDY. Who had access to the safe?

Mrs. LEFKOWITZ. Well, Mr. Lapensohn had access to the safe. He would have been there while I went to lunch. I would only assume that he took it.

Mr. KENNEDY. You put the money in the safe, and on occasion when you would come back from lunch the money would be gone from the safe?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. Did you ever raise a question with Mr. Lapensohn about the money?

Mrs. LEFKOWITZ. I didn't; no.

Mr. KENNEDY. It was just clear to you?

Mrs. LEFKOWITZ. It had to be, because if I left the office and he wasn't there, I would lock the safe.

Mr. KENNEDY. How much money was involved in these cash transactions?

Mrs. LEFKOWITZ. Do you mean the total amount of money involved?

Mr. KENNEDY. Yes; I suppose you wouldn't have an exact amount.

Mrs. LEFKOWITZ. I wouldn't have exact knowledge; no, sir.

Mr. KENNEDY. Can you give us any idea of it?

Mrs. LEFKOWITZ. It might have been \$1,500 in 1 year, that would be possible, or it might have been \$2,000. I never kept track of it.

Mr. KENNEDY. Beyond that, beyond the cash, was all the other money sent up to the New York Federation of Labor?

Mrs. LEFKOWITZ. No; it wasn't.

Mr. KENNEDY. Could you tell the committee what happened in connection with some of the other money?

Mrs. LEFKOWITZ. Well, a few years back, I was informed that another bank account had been opened called the New York Federationist, and I was instructed to put certain checks into the account of the New York Federationist.

Mr. KENNEDY. This was a bank account set up by Mr. Lapensohn himself.

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. It was in New York?

Mrs. LEFKOWITZ. Yes.

Mr. KENNEDY. What bank was it at?

Mrs. LEFKOWITZ. At the Trade Bank & Trust Co.

Mr. KENNEDY. Called the Federationist?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. And you were instructed to take some of these checks that ordinarily you would send to the New York Federation of Labor, you were instructed to take those checks and deposit them in the bank account?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. The checks were made out to the New York Federation of Labor. How would you then be able to deposit them in the bank account of the New York Federationist?

Mrs. LEFKOWITZ. I was instructed to obtain rubber stamps and endorse them, "New York State Federation of Labor, pay to the New York Federationist."

Mr. KENNEDY. Did you go out and purchase the rubber stamp for that purpose?

Mrs. LEFKOWITZ. I don't remember whether I went out to purchase it. I know that we did obtain it.

Mr. KENNEDY. You did go out and get the stamp?

Mrs. LEFKOWITZ. We did get the stamp.

Mr. KENNEDY. Mr. Chairman, these are the invoices for the purchase of the stamp, and these are the reproductions of the stamp itself.

The CHAIRMAN. I present a photostatic copy of the invoice for the stamp to which you have been testifying. Would you identify it, please?

(A document was handed to the witness.)

Mrs. LEFKOWITZ. Yes.

The CHAIRMAN. That may be made exhibit 49.

(Document referred to was marked "Exhibit No. 49," for reference and will be found in the appendix on p. 11177.)

The CHAIRMAN. Now I hand you the stamp imprints of the 3 stamps—was it 3 that you purchased?

Mrs. LEFKOWITZ. Yes.

The CHAIRMAN. You obtained three?

Mrs. LEFKOWITZ. Yes.

The CHAIRMAN. Would you identify this, please?

(Documents were handed to the witness.)

Mrs. LEFKOWITZ. Yes; I identify this.

The CHAIRMAN. That may be made exhibit 49-A.

(Documents referred to were marked "Exhibit No. 49-A," for reference and will be found in the appendix on p. 11178.)

Mr. KENNEDY. That special bank account was established about 1953, is that right?

Mrs. LEFKOWITZ. Approximately that time. I don't remember the date.

Mr. KENNEDY. How much money did you deposit in that bank account?

Mr. Chairman, we will have another witness who will give the exact amount, but I would like to get from this witness the approximate amount.

Mrs. LEFKOWITZ. In the period of a year, I would say approximately \$30,000.

Mr. KENNEDY. That would be approximately \$30,000 each year?

Mrs. LEFKOWITZ. That is right.

The CHAIRMAN. Each year?

Mrs. LEFKOWITZ. I don't remember whether it was every year, but I do know that there was 1 or 2 years where there was approximately \$30,000.

The CHAIRMAN. Let's see. You began making these deposits, or this account was opened in 1953, did you say?

Mrs. LEFKOWITZ. I guess so.

The CHAIRMAN. That is the best of your recollection?

Mrs. LEFKOWITZ. Yes.

The CHAIRMAN. And that continued on through when?

Mrs. LEFKOWITZ. 1957.

The CHAIRMAN. About 4 years?

Mrs. LEFKOWITZ. I don't believe here was an money deposited in that account in 1957. I don't recall.

The CHAIRMAN. You don't think any was deposited in 1957?

Mrs. LEFKOWITZ. I don't think so; no.

Mr. KENNEDY. We have the exact figures. I will put a witness on for that immediately.

Who instructed you to purchase these rubber stamps?

Mrs. LEFKOWITZ. Mr. Lapensohn.

Mr. KENNEDY. Who instructed ou to set up this bank account?

Mrs. LEFKOWITZ. Mr. Lapensohn.

Mr. KENNEDY. Who instructed you to deposit this money that was supposed to go to the New York State Federation of Labor into this special account?

Mrs. LEFKOWITZ. Mr. Lapensohn.

Mr. KENNEDY. Did any of that money end up with the New York Federation of Labor?

Mrs. LEFKOWITZ. Yes.

Mr. KENNEDY. How was that handled?

Mrs. LEFKOWITZ. Usually several months later, usually after the beginning of the following year, Mr. Lapensohn would obtain bank checks for a sum, usually the amount that was paid in prior years for advertising by a certain corporation, and send that bank check up to Albany.

Mr. KENNEDY. What would that mean? What do you mean by a certain corporation? Any corporation?

Mrs. LEFKOWITZ. Any corporation. If a corporation, for instance, had a \$500 ad, and even if they might have sent a check for \$1,000, the \$500 was sent up to the New York State Federation of Labor in Albany in the form of a bank check.

Mr. KENNEDY. Was that a relatively minor part of the \$30,000, approximately, that was deposited in the bank account?

Mrs. LEFKOWITZ. Yes.

Mr. KENNEDY. That is, the amount that was sent up. Is that right?

Mrs. LEFKOWITZ. Yes.

Mr. KENNEDY. Mr. Chairman, I think in order to clarify the record completely on this, it might be well if we called two witnesses, Mr. Robert Dunne and Mr. Charles Wolfe, to put the actual figures in the record.

The CHAIRMAN. Can we take a recess now until 2 o'clock.

Mr. KENNEDY. I would like to get this point cleaned up.

Senator CURTIS. Did you have anything to do with the Pennsylvania transaction?

Mrs. LEFKOWITZ. No, sir; I did not.

Senator CURTIS. You don't know anything about that?

Mrs. LEFKOWITZ. No, sir.

Mr. KENNEDY. I will just put these figures in on this particular transaction, and then we will recall you later; tomorrow.

The CHAIRMAN. Have you gentlemen been sworn?

Mr. DUNNE. No, sir.

Mr. WOLFE. No, sir.

The CHAIRMAN. Do you and each of you solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WOLFE. I do.

Mr. DUNNE. I do.

TESTIMONY OF ROBERT E. DUNNE AND CHARLES E. WOLFE

The CHAIRMAN. State your name.

Mr. DUNNE. I am Robert E. Dunne. I am a staff member of this committee on loan from the permanent Subcommittee on Investigations.

Mr. WOLFE. I am Charles E. Wolfe. I am an investigator for the General Accounting Office, assigned to the committee staff.

The CHAIRMAN. All right, Mr. Kennedy.

Mr. KENNEDY. Mr. Dunne and Mr. Wolfe, you made an examination of the bank accounts of the Rolee Advertising Co. and also of the special bank account that was set up by Mr. Lapensohn that the previous witness discussed?

Mr. DUNNE. Yes.

Mr. KENNEDY. That was in whose name?

Mr. DUNNE. That was in the name of the New York Federationist. (At this point, Senator Goldwater left the hearing room.)

Mr. KENNEDY. How much money, by year, went into this bank account?

Mr. DUNNE. The bulk of the money was diverted during the years 1952 through 1956.

Mr. KENNEDY. How much money was diverted during that period of time?

Mr. DUNNE. \$149,427.03.

Mr. KENNEDY. Do you have it broken down by year?

Mr. DUNNE. Yes. In 1952, \$34,587.03; 1953, \$30,850; 1954, \$38,375; 1955, \$32,910; 1956, \$10,000.

Mr. KENNEDY. In addition to those years, was there other money diverted by Mr. Lapensohn?

Mr. DUNNE. In 1949, \$2,500 was diverted; in 1950—

Mr. KENNEDY. These years that you are talking about prior to 1953, this was done through his regular bank accounts?

Mr. DUNNE. That is right. The special account had not been opened.

1950, \$2,500; in 1951, \$500; in 1957, \$500.

Mr. KENNEDY. So from 1949 to 1952, there was diverted \$6,495 that we can prove; is that correct?

Mr. DUNNE. That is correct.

Mr. KENNEDY. And in 1957, another \$500?

Mr. DUNNE. That is correct.

Mr. KENNEDY. So the total was \$156,422.03; is that correct?

Mr. DUNNE. That is correct.

Mr. KENNEDY. Was any of that returned or given to the New York State Federation of Labor?

Mr. DUNNE. Actually, the total amount—what I gave you was net figures—the total amount withheld was one-hundred-and-sixty-seven-thousand-odd dollars, and ultimately \$11,100 of that was sent to the New York State Federation of Labor.

Mr. KENNEDY. So this is the clear amount that was stolen by Mr. Lapensohn; is that correct, \$156,422.03?

Mr. DUNNE. Right.

Mr. KENNEDY. He did take another \$11,000 which was returned; is that right?

Mr. DUNNE. That is correct.

Mr. KENNEDY. This money should have all gone to the New York State Federation of Labor?

Mr. DUNNE. Yes, sir.

Mr. KENNEDY. And then, in turn, the New York State Federation of Labor would have returned to Lapensohn or his company 75 percent of this; is that right?

Mr. DUNNE. Yes.

Mr. KENNEDY. So, actually, this \$156,422.03 was the amount of money that was diverted from its proper source?

Mr. DUNNE. Yes, sir.

Mr. KENNEDY. And then, actually, the amount of money that Mr. Lapensohn took was how much? That would be 25 percent of that. Do you have that figure?

Mr. DUNNE. It is about \$39,000.

The CHAIRMAN. As I understand, all of the money that went into this special account, of all of that Lapensohn was actually entitled to 75 percent of it. So when he was taking all of it, he was taking the other 25 percent; is that correct?

Mr. KENNEDY. Under the terms of the contract, Mr. Chairman, all of this money initially belonged to the New York Federation of Labor. They in turn would pay him back 75 percent.

The CHAIRMAN. I understand. So, actually, under the contract, 75 percent of it was his, and he was entitled to receive it back?

Mr. KENNEDY. That is correct.

The CHAIRMAN. So the misappropriation or the embezzlement or withholding was only of 25 percent of the total?

Mr. KENNEDY. That is correct.

The CHAIRMAN. He sent in \$11,100, is that right, finally?

Mr. DUNNE. That is correct, sir, of the greater sum of \$167,000.

The CHAIRMAN. I know, but did he get 75 percent of that back?

Mr. DUNNE. Yes, sir.

The CHAIRMAN. Of the \$11,000, he got 75 percent of that back?

Mr. DUNNE. Yes, sir.

The CHAIRMAN. All right.

Mr. KENNEDY. He diverted \$156,422.03, and he misappropriated, stole, whatever term we might use——

Mr. DUNNE. \$39,105.51.

The CHAIRMAN. Are there any questions, Senator Curtis?

Senator CURTIS. No questions.

The CHAIRMAN. Thank you very much.

Thank you, Mrs. Lefkowitz. We will conclude your testimony after lunch.

The committee will stand in recess until 2 o'clock.

(Whereupon, at 12:25 p. m., the committee recessed, to reconvene at 2 p. m. the same day.)

(Members of the committee present at the taking of the recess were Senators McClellan and Curtis.)

AFTERNOON SESSION

(The select committee reconvened at 2 p. m., after the expiration of the recess.)

(Members of the committee present at the reconvening of the session were: Senator Ives (presiding) and Senator Curtis.)

Senator IVES. The committee will be in order.

I believe you have somebody that you are questioning, have you? Would you call him in.

Mr. KENNEDY. Would Mrs. Lefkowitz return to the stand, please.

TESTIMONY OF ELEANOR LEFKOWITZ—Resumed

Senator IVES. I believe you have already been sworn, Mrs. Lefkowitz.

Counsel, will you proceed.

Mr. KENNEDY. We were talking this morning, and I have just a few more questions, about the various arguments that the solicitors would make to their possible accounts, and we mentioned the roadbuilding program, the public power, and I believe communism.

When the letters were going out to these various accounts, were the signatures of Mr. Murray, who was president of the New York Federation of Labor, were they signed to those letters?

Mrs. LEFKOWITZ. For a certain number of years, they were.

Mr. KENNEDY. They would be signed to all of the letters?

Mrs. LEFKOWITZ. Yes, sir.

Mr. KENNEDY. Who would put his signature on the letters?

Mrs. LEFKOWITZ. I did.

Mr. KENNEDY. You actually wrote the signatures?

Mrs. LEFKOWITZ. Yes, sir.

Mr. KENNEDY. Who directed you to do that?

Mrs. LEFKOWITZ. Mr. Lapensohn.

Mr. KENNEDY. Did that continue up until you left there in 1958?

Mrs. LEFKOWITZ. No. About 1954 or 1955, and I don't remember when, we were instructed by letter from Mr. Murray not to use his signature except on appointment letters.

Mr. KENNEDY. Just on appointment letters, but they were being used on every letter up to that point?

Mrs. LEFKOWITZ. Yes, sir.

Mr. KENNEDY. Now, on occasion, would they also send out resolutions that Mr. Lapensohn or those working for him claimed had been adopted by the New York Federation of Labor?

Mrs. LEFKOWITZ. Yes, they did.

Mr. KENNEDY. Did you know that on occasion some of those resolutions had never even been introduced into the New York Federation of Labor, let alone adopted?

Mrs. LEFKOWITZ. I had no way of knowing.

Mr. KENNEDY. You didn't know which ones were the phony resolutions?

Mrs. LEFKOWITZ. No.

Mr. KENNEDY. You know they were sending out resolutions?

Mrs. LEFKOWITZ. Yes, sir.

Mr. KENNEDY. And signing a letter from Tom Murray, and the letter would say that "This resolution has been introduced and adopted, and I am sure that your sympathy would be the same along with this resolution"?

Mrs. LEFKOWITZ. Yes, sir.

(At this point, Senators McClellan and Church entered the hearing room.)

Mr. KENNEDY. Now, I have one other matter that I want to ask you about, and we will go into some of those letters that were signed with Mr. Murray's signature with a later witness, but I would like to ask you about Lawrence Greenberg.

Were you familiar with the transaction involving Mr. Lawrence Greenberg?

Mrs. LEFKOWITZ. No, I was not.

Mr. KENNEDY. Did you know that there was a loan listed on the books of \$5,000 to Mr. Greenberg?

Mrs. LEFKOWITZ. Yes, sir, that I knew.

Mr. KENNEDY. Do you know how that loan came about. Mr. Lawrence Greenberg was the accountant for Rolee?

Mrs. LEFKOWITZ. He was.

Mr. KENNEDY. Do you know how that loan of \$5,000 was repaid?

Mrs. LEFKOWITZ. Yes.

Mr. KENNEDY. Let us get the date of the loan, first. I think it was February 18, 1954.

Mrs. LEFKOWITZ. Yes, sir. At various times, a check would be drawn for expenses on the Rolee Publications checking account, and the check was cashed, and the cash was held in the office until a sizable amount of money was gathered.

Mr. KENNEDY. Just let me ask: At whose instructions would the check be drawn?

Mrs. LEFKOWITZ. Mr. Lapensohn had instructed me to do that.

Mr. KENNEDY. And to whom was the check made out?

Mrs. LEFKOWITZ. It was drawn to "Cash."

Mr. KENNEDY. For how much?

Mrs. LEFKOWITZ. Let me correct that, please. It was not drawn to "Cash," and sometimes it was drawn to either Ben Lapensohn or Jack Shore, for expenses.

Mr. KENNEDY. Jack Shore was the brother-in-law of Mr. Lapensohn; is that right?

Mrs. LEFKOWITZ. Yes.

Mr. KENNEDY. And he operated in the office, also?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. He knew about all of these affairs that were going on?

Mrs. LEFKOWITZ. I imagine he did.

Mr. KENNEDY. At least he knew, for instance, about this bank account that was discussed this morning?

Mrs. LEFKOWITZ. Yes, sir.

Mr. KENNEDY. Either Lapensohn or Shore would instruct you to make out this check each week; is that right?

Mrs. LEFKOWITZ. Mr. Lapensohn had told me to make out a weekly expense check and, when the check was cashed, the money was held in an envelope until there was an amount gathered and then redeposited as a return to the loan amount.

Mr. KENNEDY. Let me understand this. You would make out the check on the instructions of Mr. Lapensohn each week, probably; is that right?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. That would be for approximately \$100?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. That would be listed on the books as an expense?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. Actually, you would keep the \$100 in an envelope?

Mrs. LEFKOWITZ. Yes, sir.

Mr. KENNEDY. You would go along for a period of time, and collect these \$100 expense amounts each week; is that right?

Mrs. LEFKOWITZ. Yes, sir.

Mr. KENNEDY. You would keep them in the bank account and then, after you had a considerable amount of this money, say, I believe the first amount was some \$1,200, then you deposited that in the bank account?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. And marked that on the books as a repayment of the loan to Greenberg? Is that right?

Mrs. LEFKOWITZ. Yes, sir.

Mr. KENNEDY. That was all done at the instructions of Mr. Lapensohn?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. Now, was that done on several different occasions?

Mrs. LEFKOWITZ. Yes, sir; it was.

Mr. KENNEDY. Just on this \$5,000 loan, this procedure of repaying the loan was followed on several different occasions?

Mrs. LEFKOWITZ. That is right.

Mr. KENNEDY. \$1,200 was on July 23, 1954, and then there was actually an amount of \$1,500 that was deposited in 1954, July 23, 1954, as a repayment of the loan, of which \$1,200 came from this accumulated expense-account money?

Mrs. LEFKOWITZ. I would imagine so.

Mr. KENNEDY. And then, on July 28, 1955, there was \$1,000 that was repaid, which included \$900 in cash and \$100 by personal check of Jack Shore, and then, on May 10, 1957, \$400 was repaid?

Mrs. LEFKOWITZ. Yes, sir.

Mr. KENNEDY. That was also accumulated from these monthly checks by Lapensohn and Shore?

Mrs. LEFKOWITZ. Yes, sir.

Mr. KENNEDY. As of September 30 1957, there was a balance of \$2,100 that was still outstanding on the loan. That is from our records.

Senator CURTIS. Were all of the transactions, such as telephone calls and letters written and so on, handled in your office—did they pertain to activities in the State of New York only?

Mrs. LEFKOWITZ. No. Some of them pertained, or some calls were made, to firms outside of the State of New York.

Senator CURTIS. Where would that be?

Mrs. LEFKOWITZ. All over the country.

Senator CURTIS. Oll over the country?

Mrs. LEFKOWITZ. Yes, sir.

Senator CURTIS. Over how wide an area?

Mrs. LEFKOWITZ. Well, from coast to coast.

Senator CURTIS. He had other publications in other States?

Mrs. LEFKOWITZ. No; these calls were made on behalf of advertising in the New York Federationist.

Senator CURTIS. They would solicit firms from outside?

Mrs. LEFKOWITZ. Yes, sir.

Senator CURTIS. But they all pertained to the publication in New York?

Mrs. LEFKOWITZ. That is right.

Senator CURTIS. Now, in these telephone conversations that you would overhear, did you ever hear anything said that would intimate that they could settle labor difficulties or avoid labor difficulties?

Mrs. LEFKOWITZ. No, sir; never.

Senator CURTIS. You never did?

Mrs. LEFKOWITZ. No, sir.

Senator CURTIS. Do you know of any situation where they did assist an employer who was having any kind of labor difficulty?

Mrs. LEFKOWITZ. Not that I know of.

Senator CURTIS. Were many of these advertisers scattered all over the country?

Mrs. LEFKOWITZ. Yes; they were.

Senator CURTIS. Why would they be buying an advertisement in a local publication in New York?

Mrs. LEFKOWITZ. I wouldn't know.

Senator CURTIS. Did the solicitors travel over wide area, or was this just the telephone soliciting?

Mrs. LEFKOWITZ. The telephone solicitations.

Senator CURTIS. Were they successful, and did they get some ads?

Mrs. LEFKOWITZ. Yes; in some cases they were.

Senator CURTIS. From the west coast, for instance?

Mrs. LEFKOWITZ. I don't remember, or I don't think that they got them from anybody in California, but they did get them from various States out of New York.

Senator CURTIS. From Chicago and beyond there?

Mrs. LEFKOWITZ. I think that they did.

Senator CURTIS. What would they say to these advertisers that were far removed from the jurisdiction of the operation?

Mrs. LEFKOWITZ. For the most part I did not hear the solicitations, because, as I think I explained this morning, they very often made the solicitations by telephone behind closed doors.

Senator CURTIS. You would place the call?

Mrs. LEFKOWITZ. No; they would place the calls themselves.

Senator CURTIS. So while you would know the calling was going on, and sometimes to whom and where, you wouldn't know what the subject matter of the conversation was?

Mrs. LEFKOWITZ. Not necessarily, no, sir.

Senator CURTIS. That is all.

Mr. KENNEDY. That is all.

The CHAIRMAN. Are there any further questions?

If not, thank you very much.

Call the next witness.

Mr. KENNEDY. Mr. Chairman, I would like to call now Mr. Henry A. Jaslow, who has been a solicitor for several of these magazines, and he has cooperated with the committee, and he will relate how a solicitor operated and how he was able to get some of these ads.

The CHAIRMAN. All right, Mr. Jaslow, will you be sworn.

You do solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. JASLOW. I do.

TESTIMONY OF HENRY A. JASLOW

The CHAIRMAN. State your name, and your place of residence, and your business or occupation.

Mr. JASLOW. Henry A. Jaslow, 1607 St. Johns Place, Brooklyn, an advertising solicitor.

The CHAIRMAN. You are in the advertising business?

Mr. JASLOW. No, sir; I am a salesman.

The CHAIRMAN. You are an advertising salesman?

Mr. JASLOW. Yes, sir.

The CHAIRMAN. Do you waive counsel?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. Now, as I stated at the beginning, Mr. Chairman, Mr. Jaslow has cooperated with the committee, and he has answered our questions as a number of solicitors have, and we are just calling him to explain how they operated.

You worked for the Trade Union Courier—and these are approximate years—from 1942 to 1943; is that right?

Mr. JASLOW. Yes, sir.

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. Then the New York City CIO Council Year Book, 1943-44?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. And then 1945-53 for the Labor Chronical, put out by the Central Trades and Labor Council of Greater New York?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. And for about 2 years, between 1952 and 1954, you worked for the New York Federationist?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. At the present time, you are working for the Carpenters' State Journal; is that right?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. And also for the Building and Construction Trades Council of Greater New York?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. What is the name of the magazine they put out?

Mr. JASLOW. Which one?

Mr. KENNEDY. Well, the Building and Construction Trades Council.

Mr. JASLOW. The Building Trades Council of Greater New York, Long Island, and Vicinity.

Mr. KENNEDY. What is the name of their magazine?

Mr. JASLOW. That is the name of it.

Mr. KENNEDY. And from each one of those, as you would operate, you would get a commission?

Mr. JASLOW. Pardon me, the name of the book is Official Directory of the Building and Construction Trades Council.

Mr. KENNEDY. It is official directory of those?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. Now, your name is Henry A. Jaslow, J-a-s-l-o-w, is that right?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. You come from Brooklyn, N. Y.?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. And for these various magazines, for which you have worked, you received anywhere from 30 to 35 percent of the ads that you were able to place; is that right?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. Most of the work that you would do would be done by telephone?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. And you often operated out of your own office?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. And you now work for two of these magazines?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. Now, would you explain to the committee how this magazine is operated or run? You would have a group of solicitors working for each one of these magazines such as yourself, and they would make these telephone calls; is that right?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. You were just a professional man who worked for a magazine, just professional ad men; is that right?

Mr. JASLOW. Well, that is what you call it; yes, sir.

(At this point, the following members were present: Senators McClellan, Ives, Church, Curtis.)

Mr. KENNEDY. And you would not actually be working for a labor union itself, but you would be working for a promoter?

Mr. JASLOW. That is right.

Mr. KENNEDY. Can you give the committee a sample as to what you would say on the telephone when you would call up someone and try to get an ad in the paper?

Mr. JASLOW. Well, most of my phone solicitations, we would have a variation of all these other books. I would go to work and call up a man and ask him if there was any reason why he couldn't do for us what he did for the publication that we had in front of us, that we felt he wouldn't want to be partial.

Mr. KENNEDY. What would you say to him? You would call him up. How would you start the conversation?

Mr. JASLOW. I would introduce myself.

Mr. KENNEDY. What would you say? Who would you say you were?

Mr. JASLOW. That I was so and so from this particular publication.

Mr. KENNEDY. You used different names with the various publications, is that right?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. You would have a particular name, depending upon the publication for which you worked?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. That is so that you could solicit from the same individual for different publications?

Mr. JASLOW. I beg your pardon?

Mr. KENNEDY. That would be so you could give four different publications from the same individual, so they would not tie you to the same publication, is that right?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. You would call him up, and the name you used with the New York Federationist was Bill Hart, and you would say "This is Bill Hart."

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. Then what would you say?

Mr. JASLOW. On the State federation setup, they would go to work and send this appointment letter out.

Mr. KENNEDY. That letter would go out under Mr. Murray's signature?

Mr. JASLOW. I don't know who signed it. As you just said, and as you know, I operated my own office, and I used to call up Mrs. Lefkowitz and give her the names of the accounts we had filed, that we were going to call, because each man's accounts were protected. She would send out appointment letters. I believe she used to send me a copy or a list of the cards and I would call them and ask them if they got the letter. Because I would introduce myself "This is Mr. Hart of the New York State Federation of Labor."

Mr. KENNEDY. You would say "This is Mr. Hart of the New York State Federation of Labor"?

Mr. JASLOW. Yes.

Mr. KENNEDY. Then how would you go?

Mr. JASLOW. "You have gotten our letter, haven't you?" "Yes, sir."

"I was asked to call you and see if we could get the same cooperation that you have given the other publications. We figure you don't want to show any partiality, especially since we are the parent body of New York State."

Mr. KENNEDY. Especially we are what?

Mr. JASLOW. The parent body of the New York State federation, of the New York State labor unions.

Mr. KENNEDY. What if he said "I am not sure that I want an ad, Mr. Hart." Then what would you say?

Mr. JASLOW. I would just try to convince him that the money was being used for his own benefit, and we would be using it, since the New York State federation was the legislative body, the money he was to be contributing would be beneficial for legislation to be enacted that would be beneficial to both labor and management.

Mr. KENNEDY. What were some of the samples of what you were doing that would be helpful?

Mr. JASLOW. I have never had anyone ask me that question.

Mr. KENNEDY. Nobody asked you?

Mr. JASLOW. No, sir.

Mr. KENNEDY. Nobody asked you what you were lobbying for or what the federation was lobbying for?

Mr. JASLOW. All I would say would be legislation beneficial to labor and management.

Mr. KENNEDY. Nobody ever asked you what you had in mind?

Mr. JASLOW. No. After all, I would call up Eleanor, and she would send out a letter confirming that, that it was for labor legislation.

Senator IVES. Mr. Chairman, may I interrupt there a moment, please?

How did you find the New York State Federation of Labor regarded by people you were approaching?

Mr. JASLOW. I was never told anything about it.

Senator IVES. I mean, how did they regard the federation of labor? Did they criticize it, did they damn it, or did they do anything like that? Did they praise it, did they show confidence in it?

Mr. JASLOW. Do you mean the businessmen I approached?

Senator IVES. Yes.

Mr. JASLOW. I don't think I ever had anyone yet that said anything against it.

Senator IVES. Against the federation of labor?

Mr. JASLOW. That is right.

Senator IVES. I know I have been acquainted with them and their officers for quite a number of years, and I know they have enjoyed a very fine reputation in the State of New York. I wondered if you ran into any criticism of them.

Mr. JASLOW. No, sir. That is what I said. I have never had anybody criticize.

Senator IVES. Thank you.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Senator Curtis.

Senator CURTIS. These people that you called, they were given to understand that you were calling for the State federation of labor?

Mr. JASLOW. Yes, sir.

Senator CURTIS. Were they employers of Labor?

Mr. JASLOW. Yes, sir.

Senator CURTIS. And how much would you ask them for?

Mr. JASLOW. Well, I would quote them the rates which were \$500 down to \$100, and if they told me it was too much, I would ask them if they would go to work and contribute it toward circulation.

Senator CURTIS. What did you mean by that?

Mr. JASLOW. Well, that is what I was told, that it was going toward the circulation. Mr. Lapensohn had instructed me on that.

Senator CURTIS. That meant that they contributed their money but took no ad?

Mr. JASLOW. That is right.

Senator CURTIS. Did they know how that money was being divided?

Mr. JASLOW. The employer?

Senator CURTIS. No, the man you got it from.

Mr. JASLOW. I don't think he did.

Senator CURTIS. How would you make up your lists as to who you would call?

Mr. JASLOW. As I said, I would have copies of the Courier, the CIO City and State Yearbook, the Central Trades and Labor Council Chronicle.

Senator CURTIS. Would the impression ever be left that if they said "no," they wouldn't have anything to do with it, it might be an unfriendly act toward labor?

Mr. JASLOW. No, sir.

Senator CURTIS. What would they gather about the discrimination?

Mr. JASLOW. I don't know. I never went into that. There was a lot more that I didn't sell than I did sell.

Senator CURTIS. What did the man who purchased space or made a contribution get in return for his money?

Mr. JASLOW. As far as I knew, he would get a copy of the yearbook when it came out.

Senator CURTIS. That is all?

Mr. JASLOW. That is all.

Senator IVES. Will the Senator yield on that?

Senator CURTIS. Yes.

Senator IVES. Did any of them ever ask you how large the circulation of this publication was?

Mr. JASLOW. No, sir, not that I remember.

Senator IVES. Never?

Mr. JASLOW. They never did.

Senator CURTIS. Did any of them ever ask you to help them out on any of their labor problems?

Mr. JASLOW. No, sir.

Senator CURTIS. Did any of them ever ask you if you were able to help them out?

Mr. JASLOW. No, sir.

Senator CURTIS. So far as you know, the business people that you contacted responded because you did contact them?

Mr. JASLOW. I will say "yes," because I contacted them, and I found the fact that they got the letter on the New York State Federation of Labor letterhead, and the officers listed on the letterhead was all they were interested in, and they knew it was going to an official party, that was my experience.

Senator CURTIS. I am sure the entire committee appreciates your frankness here. I do not know just exactly what the legal and moral status is of this practice going on. We had one witness this morning that pointed out that activities such as described here were not limited to labor, but that many charities, some of them very worthwhile, and other public organizations are engaged in the same thing. It seems to me that unless there was some arrangement that the man who contributed the money would get some special favors from labor, that certainly the individual who contributed the money should not be condemned for contribution.

He was sort of put on the spot and touched for the money; isn't that correct?

Mr. JASLOW. Well, I can't answer for him, Senator, I am only going by the way I used to get my ads. I always felt and believed that the mere fact that they got the State Federation of Labor letterhead is what really sold them. That was my impression, and that was what I had found from my experience.

Senator CURTIS. I think if there is any censuring to be done here, and this is, of course, not a censuring committee, and I do not know to what extent we could recommend laws about it, it would be to censure the people who got the money, and not the victims of the touch.

That is all, Mr. Chairman.

The CHAIRMAN. All right, Mr. Kennedy.

Mr. KENNEDY. You were talking about the fact that you might point out to some of these individuals on the telephone, the legislation which the Federation of Labor was interested in?

Mr. JASLOW. That is right.

Mr. KENNEDY. Which would be what sort of things?

Mr. JASLOW. I didn't explain anything. I would just say that they would enact labor legislation which was beneficial to both management and labor. What it was I didn't know. But the mere fact that I said beneficial I thought answered the entire thing.

Mr. KENNEDY. What about the letters that went out? Did they then follow up on that idea?

Mr. JASLOW. As I understood it, yes.

Mr. KENNEDY. And they would explain the particular piece of legislation?

Mr. JASLOW. Well, I don't know what it was, but it would be along that line.

(At this point, Senator Curtis withdrew from the hearing room.)

Mr. JASLOW. I told them that we were the lobbying body for New York State.

Senator IVES. May I ask a question there?

Do you know anything at all about the New York State Federation of Labor?

Mr. JASLOW. No, sir, except that I understood it was the lobbying body for the American Federation of Labor.

Senator IVES. You think the New York State Federation of Labor is the lobbying body?

Mr. JASLOW. Well, the legislative body, that they lobby for legislation.

Senator IVES. Do you know what the State Federation of Labor stands for or what it is?

Mr. JASLOW. I know that they represent the entire State Federation of Labor unions, but I understood that they were strictly the legislative body.

Senator IVES. Who was the legislative body?

Mr. JASLOW. The State Federation of Labor. I mean for the American Federation of Labor, the New York State Federation of Labor.

Senator IVES. I take it you don't know much about union organization, do you?

Mr. JASLOW. I don't.

Senator IVES. Well, that is not exactly what it is. I will not consume the time here explaining to you what it is, but that is not really what it is. To a certain extent, the State Federation of Labor is interested in legislation in the New York State Legislature, but that is not its chief function.

It is only a tiny part of its function.

Mr. JASLOW. Well, I don't know the entire functions, Senator, that was all I had used in my solicitation.

Senator IVES. Well, I would have thought that somebody would have given you a little more information than that.

Mr. JASLOW. Nobody did.

Senator IVES. Who hired you to go into this?

Mr. JASLOW. Mr. Lapensohn.

Senator IVES. He did himself?

Mr. JASLOW. Yes, sir.

Senator IVES. Nobody in the State Federation of Labor ever contacted you at all?

Mr. JASLOW. I never met anybody from the State Federation of Labor.

Senator IVES. Except Mr. Lapensohn told you there was such an organization, you wouldn't even have known there was one?

Mr. JASLOW. Well, I knew there was one, but I never met anyone from the New York State Federation of Labor.

Senator IVES. I could explore that a lot further. I will not take the time. Thank you.

Mr. KENNEDY. You would get in touch, then, with the office, under this arrangement, and they would write out the letter dealing with the specific legislation for which the labor federation was going to lobby.

Mr. JASLOW. That is right.

Mr. KENNEDY. This was not your idea, but instructions that were given to you, is that right?

Mr. JASLOW. I had taken it up with Mr. Lapensohn, because he asked me what I told them, and I told him. I think at one time when I started, he asked me to go to work and sort of form a letter along what I was saying, and I gave it to him and he had it made up and sent it out.

Mr. KENNEDY. You did a pretty good job for this, did you not?

You were a good solicitor? You had a good deal of experience?

Mr. JASLOW. I have had experience, yes, sir.

Mr. KENNEDY. Don't your friends call you Jazz?

Mr. JASLOW. Well, that was many years ago. I was a youngster.

Mr. KENNEDY. Was that based on your ability on the telephone in selling these ads?

Mr. JASLOW. Pardon?

Mr. KENNEDY. Was that based at all on your abilities over the telephone?

Mr. JASLOW. No. That was a name that I had when I was a child.

Senator CHURCH. Was that based on your ability on the dance floor?

Mr. JASLOW. No, it is a derivation of my name, Jaslow.

Mr. KENNEDY. What would you say to the individual then about what kind of an ad he should receive?

Mr. JASLOW. Pardon?

Mr. KENNEDY. What would you say to the individual about the ad he should put in?

What would you tell him about the rates?

Mr. JASLOW. They would ask me, "Well, how much of an ad do you want?"

And of course, I would ask him for the largest amount, and he would ask me if I had anything smaller, and I would go right down the line.

Mr. KENNEDY. What was the largest you had?

Mr. JASLOW. A full page.

Mr. KENNEDY. How much was that?

Mr. JASLOW. \$500.

Mr. KENNEDY. Then you would go down. What is the next after that?

Mr. JASLOW. \$250 for a half page.

Mr. KENNEDY. Would any of them want to contribute more than \$500?

Mr. JASLOW. I have never had any.

Mr. KENNEDY. \$500 was the most?

Mr. JASLOW. I don't think I ever sold even a \$500 ad for the federation or even a \$250 ad.

Mr. KENNEDY. Then did you explain to them that it wasn't necessary for them to actually take an ad, but they could just make a contribution?

Mr. JASLOW. Yes, if they told me it was too much, the advertising rate.

Mr. KENNEDY. Did you tell them at that time that Mr. Murray would be very appreciative if they made a contribution?

Mr. JASLOW. No. I never used Mr. Murray's name.

Mr. KENNEDY. When you first called, who did you say you were from?

Mr. JASLOW. Just the New York State Federation of Labor.

Mr. KENNEDY. Were you a union member yourself?

Mr. JASLOW. No, sir.

Mr. KENNEDY. Have you ever been in the union?

Mr. JASLOW. No, sir.

Mr. KENNEDY. You have never been in the union?

Mr. JASLOW. No, sir.

Senator IVES. What would you have done if somebody had asked you where the Federation of Labor was located in New York?

Mr. JASLOW. I never had anyone ask me.

Senator IVES. I will repeat the question. What would you have done if someone had asked you that?

Mr. JASLOW. I would have named Mr. Lapensohn's office.

Senator IVES. Thank you.

Senator CHURCH. Mr. Jaslow, in your solicitations did you sell many ads or did you secure many contributions for circulation purposes which did not entail an actual running of an advertisement in this magazine?

Mr. JASLOW. Yes, sir.

Senator CHURCH. That was a frequent practice?

Mr. JASLOW. Yes, sir.

Senator CHURCH. Could you give us any estimate as to the percentage in your own business of those firms that did make contributions but asked that no ad be run in the magazine roughly?

Mr. JASLOW. No, I couldn't give you roughly, but I would say the majority of them were.

Senator CHURCH. The majority actually didn't run ads in the magazine, though they did pay a contribution?

Mr. JASLOW. Yes, sir.

Senator CHURCH. Mainly, your pitch, so to speak, to those you contacted was cast in the form to suggest to them that you were a representative, a direct representative, of the New York State Federation of Labor, and you were dealing for them and speaking for them, and they were left with the impression that they were dealing through you with the federation, is that right?

Mr. JASLOW. Well, I didn't have to tell them that, because the appointment letter said that Mr. so and so "of my staff will contact you in the next few days."

And it was signed by Mr. Murray. So I didn't have to tell them that.

Senator CHURCH. In your telephone conversations, you didn't do anything or say anything to disenchant them, is that right?

Mr. JASLOW. That is right; yes, sir.

Senator CHURCH. I have one more thing, Mr. Jaslow. What did you mean on the average to you personally in income from your commissions? That is, by the year.

Mr. JASLOW. I honestly cannot tell you offhand. I don't remember, because it is 4 or 5 years ago I was there. But I would say that with the State federation of labor I may have averaged about \$75 a week. This is just a guess. I am not sure.

Senator CHURCH. I appreciate that.

But you received 30 to 35 percent of the cost of the advertisement or of the amount contributed, is that right?

Mr. JASLOW. That is right, yes, sir.

The CHAIRMAN. Who paid for the telephone calls?

Mr. JASLOW. Pardon me?

The CHAIRMAN. Who paid for the telephone calls? Who were they charged to?

Mr. JASLOW. Well, when I was with the State federation of labor——

The CHAIRMAN. Were you ever with it?

Mr. JASLOW. I mean working for Mr. Lapensohn, I should say, Senator. Mr. Lapensohn made an arrangement whereby he would pay 10 percent additional for the cost of my telephone, office rent, and so forth.

The CHAIRMAN. So you did not necessarily get 30 percent net, or did you?

Mr. JASLOW. Well, yes. It would run about that, because my expenses would run, I would say, from 10 to 15 percent, Senator.

The CHAIRMAN. So you got approximately 30 percent net?

Mr. JASLOW. That is right, 25 to 30 percent, I would say.

The CHAIRMAN. Very well.

Mr. KENNEDY. At the present time you are working for the Building and Construction Trades Council of Greater New York; is that right?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. Do you use the same kind of procedure with them?

Mr. JASLOW. Well, with the Building and Construction Trades Council this book has been in existence 52 years, and I would also follow the same procedure of getting all of these other publications.

Mr. KENNEDY. What kind of publications would you get?

Mr. JASLOW. Like the Courier.

Mr. KENNEDY. That is the one that is run by Mr. Raddock?

Mr. JASLOW. Yes.

The Central Trades, the New York State Federation of Labor, the Nassau-Suffolk Building Trades Council.

Mr. KENNEDY. Did you take the names——

Mr. JASLOW. Those that were in the construction industry.

Mr. KENNEDY. What would you say to those individuals?

Mr. JASLOW. The same thing, would they do for us, since we are the governing body of the Building Trades Union, sponsor an ad in our official directory and yearbook.

Mr. KENNEDY. Would you tell them, "We have some men working out there" and that kind of thing?

Mr. JASLOW. No; they knew they were employing the men in the building industry, and that is why I only called on the people engaged in the building and construction industry.

Mr. KENNEDY. You only called on the contractors?

Mr. JASLOW. Only on those engaged in the building and construction industry.

Mr. KENNEDY. And those are the individuals or companies which had employees that were members of these particular unions; is that right?

Mr. JASLOW. Of the building trades unions; yes, sir.

Mr. KENNEDY. Would you also get names of the contractors who had just gotten contracts and who would be needing employees, who would be needing these union men, men that belonged to the union?

Mr. JANSLOW. The agency used to subscribe to the Dodd's reports.

Mr. KENNEDY. What would those reports contain?

Mr. JASLOW. They would have different reports of new buildings going on, and who the general contractor was who had this contract, what painter had that contract, and so forth, and they would distribute them to the men.

Mr. KENNEDY. So you would find out from these reports as to who had just received contracts?

Mr. JASLOW. That is right.

Mr. KENNEDY. And you would take those names and call those people up. These are contractors who were in the midst of trying to secure some employees, to secure some men to go to work for them?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. You would call them up and ask them for an ad; is that right?

Mr. JASLOW. That is right.

Mr. KENNEDY. And was the same kind of procedures used for the Carpenters State Journal?

Mr. JASLOW. That is right; that is my procedure since I have been in the business.

Mr. KENNEDY. Would you also tell them that you worked for the Carpenters?

Mr. KENNEDY. Yes. They all used to get letters.

Mr. KENNEDY. Would you call them up and tell them you were actually working for the Carpenters?

Mr. JASLOW. That is right.

Mr. KENNEDY. Actually, you were not, but you were working for this particular periodical?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. But you were not. You were actually working for the Carpenters or Building Trades——

Mr. JASLOW. I told them I was working for the Building Trades Council.

Mr. KENNEDY. That is from the instructions you received?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. This is a fairly common procedure, is it not?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. And you have many of these kinds of publications active in New York, dealing particularly or associated with unions?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. It is a source of income, and there are a number of people such as yourself who are around soliciting ads?

Mr. JASLOW. Yes, sir.

Mr. KENNEDY. All right.

The CHAIRMAN. Is there anything further?

(At this point, Senator Curtis withdrew from the hearing room.)

The CHAIRMAN. If not, thank you very much. Call the next witness.

Mr. KENNEDY. I might finish now with Mr. Dunne and Mr. Wolfe, Mr. Chairman, to put all the figures of the New York Federation in.

Mr. JASLOW. Am I free to go home?

Mr. KENNEDY. Yes. Thank you very much.

TESTIMONY OF ROBERT E. DUNNE AND CHARLES E. WOLFE— Resumed

The CHAIRMAN. You gentlemen were sworn this morning. You will remain under the same oath.

Mr. KENNEDY. Mr. Dunne, I would like to ask you about the New York Federationist and how much their gross income was during the period of time that it was operated and run by Mr. Lapensohn. He ran it through the Rolee Co.; is that right?

Mr. DUNNE. Yes, sir.

Mr. KENNEDY. What was the income, the gross income, for the New York Federation?

Mr. DUNNE. The gross income received by Rolee Publications on behalf of the New York State Federation of Labor for the years 1949 through 1957 was \$1,167,637.33.

Mr. KENNEDY. How much was returned to Mr. Lapensohn out of that \$1,167,000?

Give us those figures again, \$1,167,637.33?

Mr. DUNNE. Yes, sir.

Mr. KENNEDY. How much of that was returned to Rolee, legitimately?

Mr. DUNNE. Under the terms of the agreement, 75 percent was to have been returned, and that was \$758,412.32.

Mr. KENNEDY. And in addition to that he received—

Mr. DUNNE. He diverted from the regular channel and deposited in this special bank account, or by other means, obtained \$156,422.03.

Mr. KENNEDY. How much then did he get altogether out of this publication?

Mr. DUNNE. \$914,834.35.

Mr. KENNEDY. Would you repeat that figure?

Mr. DUNNE. \$914,834.35.

Mr. KENNEDY. So Mr. Lapensohn himself grossed just under a million dollars out of this publication; is that right?

Mr. DUNNE. Yes, sir.

Mr. KENNEDY. And the New York Federation of Labor grossed how much out of the publication?

Mr. DUNNE. Just over a quarter of a million, \$252,802.98.

(At this point, Senator Ervin entered the hearing room.)

Mr. KENNEDY. We had some discussion here about the amount of money that came in as far as ads were concerned and how much money came in as far as circulation was concerned. Do you have that broken down?

Mr. DUNNE. Yes, sir; about 44 percent of the money received was from concerns which did not want any ad to appear.

Mr. KENNEDY. Forty-four percent of all the money that was received by this publication was from concerns who stipulated that no ad should be placed?

Mr. DUNNE. Or that their names should not be placed.

Mr. KENNEDY. Or that their names should not be used. They were just making a donation?

Mr. DUNNE. Yes, sir.

Mr. KENNEDY. Seventy-five percent of which went to Mr. Lapensohn?

Mr. DUNNE. Yes, sir.

Mr. KENNEDY. How much is that?

Mr. DUNNE. \$467,053.50.

Mr. KENNEDY. And how much was received where the ads were actually put in?

Mr. DUNNE. \$586,717.38.

Mr. KENNEDY. Would you repeat that figure?

Mr. DUNNE. \$586,717.38.

Mr. KENNEDY. And the former figure for 44 percent was how much?

Mr. DUNNE. \$463,353.50.

Mr. KENNEDY. We have broken it down, Mr. Chairman, that only 22 cents of any dollar given by management ever went to any labor

organization, and 78 cents went for the cost of getting the ad or to Mr. Lapensohn.

The CHAIRMAN. Are there any further questions? If not, gentlemen, thank you. Call the next witness; 22 percent and 78 percent.

Mr. KENNEDY. Mr. Chairman, we had an affidavit here from Mr. Murray, which Mr. Dunne has, and which I would like to have placed into the record.

Senator IVES. May I raised a question there? That was Thomas A. Murray?

Mr. KENNEDY. Yes.

Senator IVES. He has since passed away, you know.

Mr. KENNEDY. Yes, Senator; I do. Then we are calling Mr. Hanover who is the officer immediately under Mr. Murray, who will go into the matter in further detail. But I think for an understanding of how this operated, I think it would be very helpful.

The CHAIRMAN. The affidavit is quite long. The affidavit may be printed in the record at this point. The Chair is not going to read it now. You may refer to it.

That affidavit was obtained by a member of the staff.

Was that you, Mr. Dunne?

Mr. DUNNE. Yes, sir.

The CHAIRMAN. The affidavit will be made a part of the record at this point.

(The document referred to follows:)

STATE OF NEW YORK,

County of New York, ss:

Thomas A. Murray, having been duly sworn, deposes and says, that—

I was born in 1879 in New York City and have been in the labor movement my entire adult life. I became an apprentice bricklayer when I was about 15 or 16 years of age and laid bricks for 15 to 20 years.

During these years I held minor posts in local 37 of the Bricklayers, Masons, and Plasterers International Union in New York City.

In 1936 I became president of the Building and Construction Trades Council of Greater New York and vicinity. I was elected to a vice-presidency of the New York State Federation of Labor, AFL—hereinafter called the "federation"—in the early 1940's. I became president of the federation in 1943 and have been president since that time.

The American Federation of Labor chartered in each State a State federation of labor, the principal function of which is to promote legislation helpful to the working men and women and the labor movement, and to oppose legislation that is considered detrimental to them.

It also acts as liaison between AFL unions within the State and various State departments and agencies. Each State has such an organization and it is usually located in the State capital. The New York State Federation of Labor maintains its principal office in Albany, N. Y.

The organization is comprised of those local unions in the State who desire to voluntarily affiliate with the federation. The federation exists primarily on a per capita tax dues payment made by those local unions who affiliate.

Those delegates designated by participating unions meet in convention once each year. The proceedings of that convention are printed and published shortly after the convention is over. For a great number of years it was the practice of the federation to defray the cost of the printing of these proceedings and to add to a slight degree to its annual income by selling advertisements in that volume which contained the printed record of the proceedings.

From the time I assumed the presidency of the organization in 1943 until 1949, the job of securing the advertising had been contracted to an individual. He would solicit the ads and receive a commission of about 35 percent of the gross ads written.

The federation was obligated to edit the volume and advertisements, as well as pay the cost of printing and distribution. The net profit to the federation

after deducting the amount paid the individual for producing the advertisements ran about \$6,000 a year.

It was known by the officials of the federation in the late 1940's that the Pennsylvania State Federation of Labor utilized an organization which produced a nicer year book and which brought in more income to their organization.

Since we knew that Harold Hanover, our secretary-treasurer, had been trying for some time to secure the services of this organization so as to produce a better book and increase our income, in late 1948 Ben Lapensohn, who produced the Pennsylvania Federation's book, offered to secure all advertising, edit and pay all printing costs and distribute the book for a fee of 65 percent of all advertising written, the remaining 35 percent under his proposal was to be a net profit to the federation.

On January 28, 1949, after discussing in our executive council and after meeting with Mr. Lapensohn, a formal contract was entered into. Mr. Jack Shore, Mr. Lapensohn's associate, was present during all of these preliminary discussions as was our then counsel, the late Francis X. Sullivan. This formal contract provided generally the same terms noted in Mr. Lapensohn's offer above referred to except that Mr. Lapensohn's organization was to receive 75 percent of the gross advertising and the federation was to receive 25 percent, with a guaranteed minimum of \$25,000 during the first year.

While the original contract provided that in the subsequent years, Mr. Lapensohn's share was to be reduced to 65 percent and the federation's share to be increased to 35 percent, because of his complaint of increased production costs that clause of the contract was never made effective and the contract was modified accordingly.

For the time that Mr. Lapensohn's organization did this work for us, it received 75 percent of the gross advertising written. The income to the federation since that time substantially increased, and I think the federation has received no less than \$18,000 each year; some years more.

Immediately after executing the contract, the contract was assigned to a corporation they formed called Rolee Publications, Inc.—hereinafter called Rolee. The proceedings of the State convention were thereafter published separately and the format of the Rolee Publication was one which contained articles by prominent people in both labor, government, and management, with accompanying advertising material.

Consequently, there was a minimum of supervision of the activities of Rolee by officials of the federation. The book came out each year in about November and during the summer months the officials of the federation would approve the proposed articles which were to appear.

In accordance with the terms of the formal contract, all checks were to have been payable to the New York State Federation of Labor and forwarded by Rolee to our Albany office. Mr. Hanover was in charge there. The checks received were deposited in a federation account and a check drawn on that account for 75 percent of the amount of the checks received from Rolee was sent to Rolee.

Other than the bookkeeping functions just mentioned and the approval of the articles, the federation's officials had little to do with publication. Occasionally it was necessary to discuss the activities of certain of the ad solicitors retained by Rolee when complaints were received.

From the beginning of the operation with Rolee permission was granted to it to send out an introductory letter over my name. This letter provided:

"I have asked Mr. ——— to contact you with reference to our annual publication, published for the New York State Federation of Labor, and any courtesies extended to him would be gratefully appreciated by us. You may expect to hear from Mr. ——— within the next few days.

"Cordially yours," et cetera.

On several occasions it came to my attention that this form of letter had been changed and that the solicitors had been using my name improperly. On these occasions I called Mr. Lapensohn or Mr. Shore and told them to stop these tactics.

It also came to my attention that his solicitors were on occasion posing as me in telephone conversations with prospective advertisers. Again I would bring these matters to the attention of Mr. Lapensohn or Mr. Shore and demand that this type of ad soliciting be stopped. There were not many of these instances, but they happened throughout the years from 1949 until 1957.

On March 29, 1955, and after a particularly aggravating situation had been called to my attention, and which I later refer to herein, I wrote to Mr. Lapensohn and formally advised him that he was prohibited from using my name either in correspondence or in telephone conversations in the solicitation of ads.

Exhibit 1 attached to this affidavit purports to be a letter bearing the written signature "Tom," over my name, addressed to Earle Bunting of the National Association of Manufacturers. Mr. Bunting was then the president of the NAM. I do not know Mr. Bunting and to the best of my knowledge have never met him.

I was shocked that a type of letter that would call him by his first name and appear to give the impression that I was a personal friend would go out over my name. Until shown to me by representatives of the Senate select committee I was unaware of the existence of this letter and of this type of ad soliciting.

Exhibits 2 and 3 attached purport to be letters to the president of the Florida Power Corp. over my name and they refer to the proposed development of power in upstate New York and the St. Lawrence seaway project. These letters purport to give my views on these subjects. I did and still do have views on these matters, but I understand that the purposes of these letters was solely concerned with securing of funds from the organizations to which they were addressed, either for advertisements or by way of contributions.

I never authorized nor would I authorize the improper use of my name on that basis for the solicitation of funds, particularly from out-of-State corporations.

Exhibit 4 attached is a letter over my name to the president of the Florida Power & Light Co., acknowledging the receipt of \$500. I never authorized such a letter, and the federation never organized a national campaign against the proposed St. Lawrence seaway project, although its position thereon was clearly understood in our State.

Exhibit 5 attached is an earlier letter to this president, purportedly over my signature, and was never authorized by me.

I understand, and there has been exhibited to me carbon copies of letters which would reflect that my name was used indiscriminately in securing advertising from the New York State Department of Commerce. I had no knowledge of this solicitation and I certainly never authorized it.

Attached hereto as exhibit 6 is a letter purportedly over my signature to the president of the Missouri Public Service Corp. In it it states that I had a conversation with the president of that corporation concerning the opposition of the federation to the St. Lawrence seaway project. I don't know the president, nor have I ever spoken with him. I never authorized anyone to speak in my behalf on this subject.

There have been shown to me carbon copies of letters to other officials which give the impression that I telephoned those officials personally to solicit advertisements or contributions for the publication put out by Rolee. I never made such telephone calls nor authorized anyone to do it in my behalf.

Attached as exhibit 7 is a letter purportedly over my signature to Mr. J. J. Delaney, Sr., which in part says that the activities of the federation are concerned with the promotion of better relationships between labor and management and for scholarships for children of members and for the elimination of communistic and subversive elements within the ranks of labor.

The federation has never had a scholarship fund. It has been opposed to communistic and subversive elements both within the labor movement and outside the labor movement. Our activities in this area were carried out by the federation on its own and it never sought outside help and particularly funds or contributions for this purpose.

Attached hereto as exhibit 8 is a letter purportedly over my signature or signed by someone in my behalf to Mr. Cornelius J. Kelly of the Anaconda Copper & Mining Co., which states in part that the funds derived from contributions to our publications are used for "our civic obligations throughout the State, as well as for convention expenses."

While it may have been that some of the funds received by the federation from Rolee and which went into the federation's general funds were used to defray convention expenses, the federation never solicited or intended to solicit for funds to enable it to carry out "civic obligations throughout this State."

Exhibit 9 attached is a letter purportedly over my signature to Mr. E. W. Henrichs of the American Concrete Pipe Co. In it there is the statement, among other things, that the federation has established scholarships in various colleges. This statement is completely false, and was never authorized by me.

In March 1955, Dean M. P. Catherwood of the School of Industrial and Labor Relations of Cornell University, of which university I am a trustee, advised me

that solicitors for our publication had stated that the proceeds of advertisements or contributions were to be used to sponsor free courses in labor at Cornell.

After investigation I ascertained that the material emanated from Rolee. The proof which was presented to me in this matter was so clear that it prompted me to immediately write my letter above referred to and dated March 29, 1955, prohibiting Mr. Lapensohn and his solicitors from using my name either in correspondence or telephone conversations in ad soliciting. I, of course, advised Dean Catherwood of the falsity of the claim.

If I had known of these matters which I above referred to and which were called to my attention by the representatives of the Senate select committee, I undoubtedly would have recommended to the executive council of the federation that our relationships with Rolee and Messrs. Lapensohn and Shore be severed.

However, except for the occasional vague complaints received throughout the years and the complaint from Dean Catherwood, which I promptly acted on, I was totally unaware of the extent to which my name was being misused. I am grateful to the representatives of the Senate select committee for calling them to my attention.

The action taken by the federation after these facts were brought to our attention were prompt and effective.

A meeting of the executive council of the federation was called and the facts which we had learned were disclosed to the members of the council. A resolution was unanimously adopted declaring the contract with Rolee for the publication of the book terminated and, further, for cause, canceled, directing the officers to immediately notify all those who advertised in the book for the year 1957 of the action taken by the federation and of its purpose to discontinue the issuance of such a book and declaring that the federation shall not publish, authorize the publishing of, or participate in the publishing of any book in which there are paid advertisements.

Another resolution was also unanimously adopted under which the federation authorized and directed the making of a thorough investigation of the actions of Rolee, Lapensohn, and Shore to determine what recourse is available against them.

Following this meeting the letter to the advertisers in the 1957 book was promptly sent. Copies of the resolutions aforementioned, and of the letter sent to the advertisers and other material bearing on the action taken by the federation are being forwarded to the counsel to the Senate select committee by the counsel to the federation.

Naturally I have made a careful study to see what safeguards could be set up which would guarantee that the federation, if it issued or sponsored a book which contained advertisements, would be saved from the embarrassment which it now feels.

If solicitors are used the federation would always be subject to the possibility of a solicitor misrepresenting the facts to prospective advertisers and this even through the federation itself might employ the solicitor.

Certainly if an independent publisher or promoter was to be used, the chances of adequate control of the representations would be even less certain.

Therefore, it is my opinion, that as far as the federation is concerned it should not participate in the publication of any further books in which there is paid advertising.

I offer this affidavit to the Senate select committee as some evidence of my readiness and my willingness to cooperate with it.

THOMAS A. MURRAY.

Sworn to before me this 15th day of April 1958.

JAMES V. STAHL,
Notary Public State of New York, No. 60-3804210,
Qualified in Westchester County.

Term expires March 30, 1959.

EXHIBIT 1

OCTOBER 6, 1950.

MR. EARL BUNTING,
National Association of Manufacturers,
14 West 49th Street, New York, N. Y.

DEAR EARL: Mason tells me that he has been unable to have your secretary make an appointment for him. Please try and see him as soon as possible.

Best regards,
Sincerely,

THOMAS A. MURRAY.

EXHIBIT 2

JUNE 11, 1951.

Mr. A. W. HIGGINS,
President, Florida Power Corp.,
101 Fifth Street, St. Petersburg, Fla.

DEAR MR. HIGGINS: I trust that you have found an opportunity to read my recent letter and its enclosures pertaining to the proposed St. Lawrence seaway project.

You will agree that this is a vicious piece of legislation, and we must all do our share to defeat the administration's proposal to create authorities in the various States. If you can take a few minutes of your time to drop me a few lines and give me an expression of your attitude on these very vital matters, I will be very appreciative.

Looking forward to hearing from you, I remain,

Cordially yours,

_____, *President.*

EXHIBIT 3

Mr. A. W. HIGGINS,
President, Florida Power Corp.,
101 Fifth Street, St. Petersburg, Fla.

DEAR MR. HIGGINS: We in the American Federation of Labor are opposed to any encroachment of Government on privately owned and operated utility companies. We are opposed to all forms of authorities, such as the Tennessee Valley Columbia River, California, Arkansas, Missouri, Ohio, Atlantic Seaboard, and the St. Lawrence Seaway. Any form of Government authorities, no matter in which State of the Union, is in direct competition with free enterprise.

Our unions call for curtailment of Government encroachment into any form of free enterprise and the return to taxpaying, privately owned companies that have the right to expansion in order that the communities they serve receive the best services at the lowest costs, without Government intervention. We in labor vigorously oppose the threat to our personal liberties for which we have fought in the past. We have learned that the first victims of public ownership are the labor unions and their members.

At the present time, we are staging an all-out fight to defeat the contemplated St. Lawrence seaway, and will continue to oppose all efforts that will endanger free enterprise. "We must all hang together, or assuredly, we shall hang separately."

We will greatly appreciate an expression from you on our campaign.

Cordially yours,

_____, *President.*

Enclosures.

EXHIBIT 4

JUNE 1, 1951.

Mr. MCGREGOR SMITH,
President, Florida Power & Light Co.,
25 Southwest Second Avenue, Miami, Fla.

DEAR MR. SMITH: We acknowledge receipt of your check in the amount of \$500.

It is gratifying to know that you are in accord with our national campaign against the proposed St. Lawrence seaway project and the creation of the various authorities, which is so vital to all concerned.

Assuring you of our appreciation of your support and thanking you for same, I remain,

Cordially yours,

_____, *President.*

EXHIBIT 5

MAY 2, 1951.

Mr. MCGREGOR SMITH,
President, Florida Power & Light Co.,
25 Southeast Second Avenue, Miami, Fla.

DEAR MR. SMITH: We in the American Federation of Labor are opposed to any encroachment of Government on privately owned and operated utility companies. We are opposed to all forms of authorities, such as the Tennessee Valley, Columbia River, California, Arkansas, Missouri, Ohio, Atlantic seaboard, and the St. Lawrence seaway. Any form of Government authorities, no matter in which State of the Union, is in direct competition with free enterprise.

Our unions call for curtailment of Government encroachment into any form of free enterprise and the return to taxpaying, privately owned companies that have the right to expansion in order that the communities they serve receive the best services at the lowest costs, without Government intervention. We in labor vigorously oppose the threat to our personal liberties for which we have fought in the past. We have learned that the first victims of public ownership are the labor unions and their members.

At the present time, we are staging an all-out fight to defeat the contemplated St. Lawrence seaway, and will continue to oppose all efforts that will endanger free enterprise. "We must all hang together, or, assuredly, we shall hang separately."

An expression from you will be greatly appreciated in our present campaign.

Cordially yours,

_____, *President.*

Enclosures.

EXHIBIT 6

MAY 5, 1952.

Mr. RALPH J. GREEN,
President, Missouri Public Service Corp.,
Warrensburg, Mo.

DEAR MR. GREEN: I enjoyed my chat with you today and, as per your instructions, enclosed please find contract and rate card for the 1952 edition of the New York Federationist, and our latest brochure.

This is our only medium of procuring funds to enable us to campaign against the proposed legislation that is pending regarding hydroelectric power being generated in the Missouri Valley and St. Lawrence seaway power projects. In the event these measures are passed by the Congress, we will have another TVA created with taxpayers' moneys and the utility companies forced out of business in these areas.

This situation is vital to all concerned to use every effort to have these vicious bills killed at this session of Congress. I was pleased to read in your letter that you were in accord with the position we have taken in these matters.

Assuring you of our appreciation of any aid we receive from you, either as an advertisement or donation, and awaiting an early reply, I remain.

Cordially yours,

_____, *President.*

Enc.

EXHIBIT 7

NOVEMBER 30, 1953.

Mr. J. J. DELANEY, Sr.,
Coyne and Delaney,
832 Kent Avenue, Brooklyn, N. Y.

DEAR MR. DELANEY: Confirming your telephone conversation with Bill Hart of my staff, I am enclosing contract and rate card.

The New York State Federation of Labor is the parent and governing body of the American Federation of Labor in this State. It represents all the local unions, with a total membership of more than 1,500,000.

Among our activities are the continued promotion of better relations between management and labor, scholarships for children of union members and the elimination of subversive and communistic elements within the ranks of labor.

We deeply appreciate your interest in the work we are doing and trust you will sign the enclosed contract and return it to us at your early convenience.

Cordially yours,

_____, *President.*

EXHIBIT 8

Mr. CORNELIUS J. KELLY,
Anaconda Copper Mining Co.,
25 Broadway, New York, N. Y.

DEAR MR. KELLY: The purpose of Mr. Martin's visit was to ascertain if you would be kind enough to take space with us for our forthcoming 1949 labor management edition of the New York State Federation of Labor. We are endeavoring to make this issue the finest labor publication ever published.

We have listed about a dozen of some of the most prominent industrialists that are preparing articles for this edition. These names will be mentioned by our prominent labor officials.

The funds derived from this book will be used to take care of our civic obligations throughout the State as well as for convention expenses to be incurred at Niagara Falls next summer.

We cannot put too much stress on how much we appreciate your cooperation.

Awaiting your reply, we remain,

Cordially,

For THOMAS A. MURRAY, *President.*

EXHIBIT 9

JUNE 22, 1949.

Mr. E. W. HENRICHs,
American Concrete Pipe Co.,
132-58 32d Avenue,
Flushing, Long Island, N. Y.

DEAR MR. HENRICHs: Confirming your telephone conversation with Mr. J. Edwards, the officers of the New York State Federation of Labor would like very much to have the American Concrete Pipe Co. aid us by taking an advertisement in the 1949 convention labor management edition of the New York Federationist owned by the New York State Federation of Labor.

At the present time our extensive program for 1949 will be fighting communism in labor, education of labor by establishing scholarships in various colleges and forming arbitration committees to meet with management.

Rate card and contract are herewith enclosed. Any help received from the American Concrete Pipe Co. will be greatly appreciated.

As you know, our convention will be held the first week of August in Syracuse, N. Y.

Cordially,

_____, *President.*

The CHAIRMAN. Call the next witness. You may refer to any part of it.

Mr. KENNEDY. It explains all of these letters, which are important for an understanding.

The CHAIRMAN. Counsel, you may read excerpts from it, then, so as to acquaint the committee.

Mr. KENNEDY. I don't think it will take more than 5 minutes.

Could I just take excerpts?

The CHAIRMAN. Yes. Read whatever is necessary to give us the pertinent parts of it.

Mr. KENNEDY. Mr. Murray gives his background and then:

It was known by the officials of the federation in the late 1940's that the Pennsylvania State Federation of Labor utilized an organization to produce a nicer yearbook and which brought in more income to their organization. Since we knew that, Harold Hanover, our secretary-treasurer, had been trying for some time to secure the services of this organization so as to produce a better

book and increase our income. In late 1948, Ben Lapensohn, who produced the Pennsylvania federation's book, offered to secure all advertising, edit and pay all printing costs, and distribute the book for a fee of 65 percent of all advertising written, the remaining 35 percent under his proposal was to be a net profit to the federation.

Then he goes on to explain after that that the percentage was increased for Mr. Lapensohn to 75 percent and the federation received only 25 percent because of Mr. Lapensohn's explanation that there were increased costs that he didn't foresee.

From the beginning of the operation with Rolee, permission was granted to it to send out an introductory letter over my name. This letter provided—

and I quote:

"I have asked Mr. ----- to contact you with reference to our annual publication published from the New York State Federation of Labor, and any courtesies extended to him would be gratefully appreciated by us. You may expect to hear from Mr. ----- within the next few days.

"Cordially yours"

"TOM MURRAY."

On several occasions, it came to my attention that this form of letter had been changed and that the solicitors had been using my name improperly. On these occasions I called Mr. Lapensohn and Mr. Shore and told them to stop these tactics. It also came to my attention that his solicitors were on occasion posing as me in telephone conversations with prospective advertisers.

Again I would bring these matters to the attention of Mr. Lapensohn or Mr. Shore and demand that this type of soliciting be stopped.

There were not many of these instances, but they happened during the years from 1949 until 1957.

On March 29, 1955, after a particularly aggravating situation had been called to my attention, and which I later refer to herein, I wrote to Mr. Lapensohn and formally advised him that he was prohibited from using my name either in correspondence or in telephone conversations in the solicitation of ads.

Then he goes through some of the letters which are of some importance.

Exhibit 1 attached to this affidavit purports to be a letter bearing the written signature "Tom" over my name, addressed to Earle Bunting of the National Association of Manufacturers. Mr. Bunting was then the president of the NAM. I do not know Mr. Bunting and to the best of my knowledge have never met him. I was shocked that a type of letter that would call him by his first name and appear to give the impression that I was a personal friend would go out over my name. Until shown to me by representatives of the Senate select committee, I was unaware of the existence of this letter and of this type of ad soliciting.

Exhibits 2 and 3 attached purport to be letters to the president of the Florida Power Corp. over my name and they refer to the proposed development of power in upstate New York and the St. Lawrence seaway project. These letters purport to give my views on these subjects. I did and still do have views on these matters but I understand that the purpose of these letters was solely concerned with the securing of funds from the organizations to which they were addressed, either for advertisements or by way of contributions.

I never authorized nor would I authorize the improper use of my name on that basis for the solicitation of funds, particularly from out-of-State corporations.

Exhibit 4 attached is a letter over my name to the president of the Florida Power & Light Co. acknowledging the receipt of \$500. I never authorized such a letter, and the federation never organized a national campaign against the proposed St. Lawrence seaway project, although its position thereon was clearly understood in our State.

Senator IVES. May I break in there just a minute in that connection. I want to say that during my period of service in the Legislature of the State of New York, as I recall the State Federation of Labor was

consistently opposed to the St. Lawrence seaway project. There may have been a time when they were not, but I do not recall it.

Mr. KENNEDY. This letter, Mr. Chairman, dated June 1, is directed to Mr. Smith, president of the Florida Power & Light Co., and it says:

DEAR MR. SMITH: We acknowledge receipt of your check in the amount of \$500. It is gratifying to know that you are in accord with our national campaign against the proposed St. Lawrence seaway project, and the creation of the various authorities which is so vital to all concerned.

Assuring you of our appreciation of your support and thanking you for same, I remain,

Cordially yours,

TOM MURRAY.

That is the letter to which he refers here, where he says he never authorized such a letter, and the federation never organized a national campaign against the proposed St. Lawrence seaway project.

The CHAIRMAN. It shows the tactics, however, being used?

Mr. KENNEDY. That is correct. [Reading:]

Attached hereto as exhibit 6 is a letter purportedly over my signature to the president of the Missouri Public Service Corp. In it it states that I had a conversation with the president of that corporation concerning the opposition of the federation to the St. Lawrence seaway project. I don't know the president nor have I ever spoken with him. I never authorized anyone to speak in my behalf on this subject. There have been shown to me carbon copies of letters to other officials which give the impression that I telephoned those officials personally to solicit advertisements or contributions for the publication put out by Rolee. I never made such telephone calls nor authorized anyone to do it in my behalf.

Attached as exhibit 7 is a letter purportedly over my signature to Mr. J. J. Delaney, Sr., which in part says that the activities of the federation are concerned with the promotion of better relationships between labor and management and for scholarships for children of members and for the elimination of communistic and subversive elements within the ranks of labor.

The federation has never had a scholarship fund. It has been opposed to communistic and subversive elements both within the labor movement and outside the labor movement. Our activities in this area were carried out by the federation on its own, and it never sought outside help and particularly funds or contributions for this purpose.

Attached hereto as exhibit 8 is a letter purportedly over my signature or signed by someone in my behalf to Mr. Cornelius J. Kelly, of the Anaconda Copper & Mining Co., which states in part that the funds derived from contributions to our publications are used for "our civic obligations throughout the State, as well as for convention expenses."

While it may have been that some of the funds received by the federation from Rolee and which went into the federation's general funds were used to defray convention expenses, the federation never solicited or intended to solicit for funds to enable it to carry out, "civic obligations throughout this State."

Exhibit 9 attached is a letter purportedly over my signature to Mr. E. W. Henrichs of the American Concrete Pipe Co. In it there is the statement among other things that the federation has established scholarships in various colleges. This statement is completely false and was never authorized by me.

In March 1955, Dean M. P. Catherwood of the School of Industrial and Labor Relations of Cornell University, of which university I am a trustee, advised me that solicitors for our publication had stated that the proceeds of advertisements or contributions were to be used to sponsor free courses in labor at Cornell.

After investigation I ascertained that the material emanated from Rolee. The proof which was presented to me in this matter was so clear that it prompted me to immediately write my letter above referred to and dated March 29, 1955, prohibiting Mr. Lapensohn and his solicitors from using my name either in correspondence or telephone conversations in ad soliciting. I, of course, advised Dean Catherwood of the falsity of the claim.

If I had known of these matters which I have above referred to and which were called to my attention by the representatives of the Senate select committee, I undoubtedly would have recommended to the executive council of the

federation that our relationship with Rolee and Messrs. Lapensohn and Shore be severed.

However, except for the occasional vague complaints received throughout the years and the complaint from Dean Catherwood which I promptly acted on, I was totally unaware of the extent to which my name was being misused. I am grateful to the representatives of the Senate select committee for calling them to my attention.

The action taken by the federation after these facts were brought to our attention was prompt and effective. A meeting of the executive council of the federation was called and the facts which we had learned were disclosed to the members of the council.

A resolution was unanimously adopted declaring the contract with Rolee for the publication of the book terminated and further, for cause, canceled, directing the officers to immediately notify all those who advertised in the book for the year 1937 of the action taken by the federation and of its purpose to discontinue the issuance of such a book and declaring that the federation shall not publish, authorize the publishing of, or participate in the publishing of any book in which there are paid advertisements.

Another resolution was also unanimously adopted under which the federation authorized and directed the making of a thorough investigation of the actions of Rolee, Lapensohn, and Shore to determine what recourse is available against them.

The CHAIRMAN. All of this took place, am I correct, after this committee's interest in the matter?

Mr. KENNEDY. After we had interviews with Mr. Murray in which we pointed out that these matters had been taking place.

The CHAIRMAN. We brought these things to his attention?

Mr. KENNEDY. That is correct.

Then on page 12, he said:

Naturally, I have made a careful study to see what safeguards could be set up which would guarantee that the federation, if it issued or sponsored a book which contained advertisements, would be saved from the embarrassment which it now feels.

If solicitors are used the Federation would always be subject to the possibility of a solicitor misrepresenting the facts to prospective advertisers and this even though the federation itself might employ the solicitor.

Certainly if an independent publisher or promoter was to be used, the chances of adequate control of the representations would be even less certain. Therefore, it is my opinion that as far as the federation is concerned it should not participate in the publication of any further books in which there is paid advertising.

It is signed by Thomas Murray.

The CHAIRMAN. The affidavit has been printed in full in the record.

Mr. KENNEDY. There are certain parts that don't bear at all on this matter, that I would like to exclude when the affidavit is in, which would be more appropriate if Mr. Murray was still alive.

The CHAIRMAN. Without objection, it can be deleted.

Mr. KENNEDY. It is nothing reflecting on him.

The CHAIRMAN. It may be better to keep it out of the public record, then, if that is so.

Without objection, that part of it can be deleted.

Call the next witness.

Mr. KENNEDY. Mr. Hanover.

The CHAIRMAN. Will you be sworn?

You do solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HANOVER. I do.

TESTIMONY OF HAROLD C. HANOVER, ACCOMPANIED BY HIS
COUNSEL, AARON BENENSON AND FRANK BEARUP

The CHAIRMAN. State your name, your place of residence and your business or occupation.

Mr. HANOVER. My name is Harold C. Hanover, and I am secretary-treasurer of the New York State Federation of Labor, and I reside at 168 Windermere Boulevard in the city of Buffalo, N. Y.

The CHAIRMAN. You have counsel, Mr. Hanover?

Mr. HANOVER. I have Mr. Benenson, and associate counsel, Mr. Bearup.

The CHAIRMAN. Will you gentlemen identify yourselves?

Mr. BENENSON. Aaron, A-a-r-o-n, Benenson, B-e-n-e-n-s-o-n, 521 Fifth Avenue, New York City.

Mr. BEARUP. My name is Frank Bearup, B-e-a-r-u-p, I am a lawyer of Albany, New York, and my office is at 75 State Street.

The CHAIRMAN. Thank you.

All right; Mr. Kennedy, you may proceed.

Mr. BENENSON. May I ask permission for Mr. Hanover to make a comparatively short statement to begin this?

The CHAIRMAN. Has the rule been complied with?

Mr. KENNEDY. Yes; it has.

The CHAIRMAN. All right. The rule has been complied with, and, Mr. Hanover, you may read your statement.

Mr. HANOVER. I am secretary-treasurer of the New York State Federation of Labor, and have held that position continuously since about 1945. I have been active in the labor movement all my life, beginning from the time when I joined my local Carpenters Union through the period that I was elected to local union office and then to the important position that I now hold.

My responsibility to the trade-union movement has motivated me in my appearance here as a voluntary witness to help this committee in its investigation so far as I am able.

Before 1949, for many years, the federation had published a printed copy of the proceedings of its conventions, which were distributed to all affiliated unions. To defray some of the expenses of the publication and of the federation, advertising was solicited.

An advertising representative was hired to manage this work, and he received 35 percent of the amount paid by the advertisers, the federation bearing all of the expense of editing, printing, distribution, et cetera.

Under this arrangement, net proceeds to the federation did not exceed \$5,000 to \$6,000 per year. Sometime in the late forties, the officers of our federation learned that the Pennsylvania Federation of Labor sponsored an annual journal which was handled by a firm which turned out an attractive official book and brought it substantial income.

I, myself, spoke to the representatives of the Pennsylvania federation about it and, at first, they took the position that they wished the exclusive representation of the people who were handling this work for them.

Sometime in the latter part of 1948, however, Ben Lapensohn, who had been heading this work, solicited the New York State federation and offered to publish an annual journal for it.

The late Thomas A. Murray, president of the federation, the late Mr. Sullivan, then counsel to the federation, and I negotiated with Lapensohn and Shore, his principal assistant, and a contract was reached, a copy of which has been furnished the committee.

This contract and its modifications have prevailed up to and including 1957. It was understood that all advertisers' checks would be sent to our office at the federation which would deposit them to its own account and draw the proper percentage to the Rolee Co., Lapensohn's publishing company, to whom this contract was assigned.

So far as I knew, this procedure was followed, and it was only after the disclosures were made by your representatives during this investigation that I learned that Lapensohn was an unconscionable rogue who has misused the good name of the State federation and its officers and imposed on our advertisers, whose funds, in apparently quite a few instances, were converted and stolen.

These disclosures came as a complete shock to the late Mr. Murray and me, and to the executive council of the State federation, to whom all his information was imparted.

We have learned that the publisher not only converted substantial sums of money, but, what is worse, that its solicitors made gross misrepresentations to prospective advertisers—apparently, to the point even of leading some of them to believe that the policies of the federation would be influenced by taking advertisements in our journal.

I unequivocally state that neither I, as secretary-treasurer, or Mr. Murray, as president, or any other officer of the federation ever allowed our advertisers or contributors to influence the policy of the federation.

Nevertheless, I am embarrassed to find, from the disclosures made to me by your committee's representatives, that the traditional position of the federation on certain public issues was utilized by Lapensohn and Shore to promote advertising and contributions largely for the private pocket of the promoters.

Thus, it was well known that the overwhelming majority of the members of the federation and of its constituent unions were in favor of private development of power and opposed to the St. Lawrence seaway development and the public development of power.

During the period of the 1940's, many resolutions on the subject were introduced at the meetings of the federation. True, a few up-state unions, and particularly those located in the area of the St. Lawrence River, were in favor of the seaway development and of public development of power.

However, the great majority of our affiliated unions, especially those whose activities were centered in New York were strongly opposed.

The opposition of unions like the construction, utility, and electrical workers, those most directly involved, grew in vehemence during the period of 1949 and 1950, when the enabling treaty for St. Lawrence and Niagara power development was signed between the United States and Canada.

These unions were anxious to avoid being placed in the plight of the unions of Government workers whose ability to take economic action on behalf of their members was entirely circumscribed, and whose wages and conditions largely do not bear comparison with unionized workers in private industry.

The reason, therefore, that the officers of the federation supported resolutions in favor of private power, so overwhelmingly desired by their members, is obvious, and the fact that some companies which favored private power were advertisers in our journal had no weight on this policy question.

You can, therefore, understand my chagrin when your representatives disclosed to us the gross misrepresentations that had been made to prospective advertisers, and the conversions and thefts of the sums paid out by them.

None of these actions came to my attention during the time that the federation had dealings with Lapensohn.

We are grateful to the committee for disclosing to us the conditions which existed with relation to our journal. Your revelations have already brought about energetic action.

The executive council of the federation, on my motion and that of the late Mr. Murray, adopted a resolution canceling and terminating all arrangements for publication of the journal.

Advertisers have been advised that there will not be another journal sponsored by the federation, and that no one is authorized to solicit advertising or subscriptions in any form in the federation's name.

The federation has resolved that it will not publish or participate in the publication of any journal in which there are paid advertisements.

The executive council has, further, authorized its officers to retain such professional services as are required to bring whatever criminal or civil actions are in order against the publisher of the journal or its officers, agents, or employees who are responsible for the matters that have been brought to light.

Mr. Kennedy, your counsel, has indicated in answer to our request, that he will cooperate with us in getting the facts so as to enable us to accomplish these resolutions. Copies of all these resolutions and letters will be filed with your committee.

From this experience, the dangers implicit in the acceptance of paid advertising by union publications, journals, or papers are made abundantly clear. Perhaps, precautions can be devised to avoid them but I myself could not see how we could be guaranteed that abuses like those disclosed here would not recur if the State federation again published a journal.

The executive council of the State federation agrees with me and, therefore, unanimously adopted its resolution to end the publication of the journal.

In conclusion, we in the State federation feel that this committee has rendered all of us great service by this investigation.

The CHAIRMAN. Thank you very much, Mr. Hanover. It is a little gratifying to the committee to learn that sometimes its efforts and hard work and expenditures we are making of taxpayers' money is getting some results and is in some quarters appreciated.

I am glad to know that you have taken the action you have. I wish you could give us a little more information about Mr. Lapensohn.

Do you know when he departed for an extended journey?

Mr. HANOVER. I could not say, sir. I have answered the question to Mr. Dunne previously.

The CHAIRMAN. I am sure you have. Naturally we would be a little bit interested in having him occupy the position you now occupy and ask him a few questions.

Mr. HANOVER. I don't doubt that, sir.

The CHAIRMAN. I don't know how soon he is going to be available to us. I understand, too, that the district attorney, Mr. Hogan, in New York, is making a thorough investigation of his activities, particularly with respect to this.

I think that you folks are cooperating with the district attorney, too, are you not?

Mr. HANOVER. We shall, sir, in every respect.

The CHAIRMAN. And I know this committee will. Let us hope now that this will point up this practice that is going on. Particularly since we are investigating management-labor relations, I trust all other unions will take warning and realize that practices like this can do unionism a great deal of harm.

I note the fact that you condemn it, and we are surprised you didn't find out about it a lot sooner. It seems to me that maybe you were not quite as alert as you might have been. But be that as it may, I trust you are sincere and I know you are, that we have rendered a service to your union.

I am sure we have rendered a service to your union. I am sure we have rendered a service to a lot of businessmen who were not keen about making contributions, but with the pressure on them that way, they felt, like one said here, it might be a good investment to make a contribution.

I do not believe you want to get money that way.

Mr. HANOVER. No, sir.

(At this point the following members were present: Senators McClellan and Ervin.)

The CHAIRMAN. It smacks of improper practices to me, though I could use a stronger term than that. I think that is what we want to do, to preserve decent unionism, and eliminate these improper practices that are hurting the working people of this country, in fact, it is hurting the country.

You can't hurt them without hurting the whole country.

Counsel?

Mr. KENNEDY. You approved, Mr. Hanover, during this period of time, of the fact that money was being procured by Mr. Lapensohn for contributions rather than just for ads?

Mr. HANOVER. I wouldn't say it that way, Mr. Kennedy. I don't say that we ever approved anything like that. But common practice in the advertising field, as we knew it before, with the old book, was that contributions are made to what is known as circulation. Sometimes that is probably put into a single ad and sometimes it is sent in just as circulation. I wouldn't say we approved it, Mr. Kennedy.

Mr. KENNEDY. Did you know that these solicitors were going to many countries which had no union employees at all?

Mr. HANOVER. No, sir. That is a revelation.

Mr. KENNEDY. On this circulation, you say that you knew that they were going out getting money for circulation. Did you inquire into whom they were approaching for this circulation money?

Mr. HANOVER. We did, for the first year or two, watch the situation pretty carefully, and then frankly, Mr. Kennedy, the income was fairly good and it became a routine situation.

I will be very frank with you. It became routine after about 2 years.

Mr. KENNEDY. The income was so good that you did not want to make any further study or investigation?

Mr. HANOVER. It wasn't a case of not wanting to. We are a limited organization in the number of employees, and we just did not go in beyond the auditor taking a look at that account twice a year.

Mr. KENNEDY. It is potentially, and I am sure you agree, Mr. Hanover, a very explosive situation, is it not?

Mr. HANOVER. I don't think we ever appreciated fully how explosive it was. I am amazed, after hearing what potentially was supposed to be one of our employees here today, whom I never even heard of.

Mr. KENNEDY. What you heard here were employees of labor unions, or people who could describe themselves as employees of labor unions, representatives of labor unions, going around to employers and collecting money. Just on the face of it, it amounts to what is a shake-down, particularly, Mr. Hanover, as you are having individuals who are not even taking ads. That is \$500,000, at least, there, which is a shakedown.

Mr. HANOVER. I wish to point this out again, Mr. Kennedy, that we had no knowledge of the background of Mr. Lapensohn. We thought he did such a good job for the Pennsylvania Federation, their book was a beautiful thing, and our book, we thought, was excellent, I never had a complaint of a shakedown, with the exceptions of a better business bureau complaint, which I turned over to our president, who handled the situation.

Mr. KENNEDY. Don't you see just from the facts themselves, that that is what it amounts to? Don't you see that at the present time, Mr. Hanover?

Mr. HANOVER. I certainly do.

Mr. KENNEDY. Because of the economic pressures that can be put by unions on companies. It is just as obvious as can be.

Mr. HANOVER. I certainly agree with you, sir.

Mr. KENNEDY. I don't understand why for a period of 8 years in New York and a period of approximately the same time in Pennsylvania, why some union official did not take some action on it, other than the fact that they were all having their salaries paid.

That is what it comes down to, basically, that that is what the money was being used for. Other than that, I would think that investigation or study would reveal all of these things.

The CHAIRMAN. I was going to ask what did the union spend this money for?

According to the records your federation got some \$252,000 out of it.

What account did that money go into so far as the union was concerned?

Mr. HANOVER. Very frankly, with us it meant the difference in expanding our organization from 2 people to 5 people, and from taking a little rental which we had, a rental building, and taking another

building and remodeling it and having a headquarters of our own in the city of Albany.

The CHAIRMAN. The State federation, the New York Federation?

Mr. HANOVER. The money primarily went for that and the increase in salaries; yes, sir.

The CHAIRMAN. It was used to pay the salaries of the State federation officers?

Mr. HANOVER. And an increase in staff, sir.

The CHAIRMAN. An increase in staff?

Mr. HANOVER. That is right.

The CHAIRMAN. And for remodeling a building?

Mr. HANOVER. That is right, sir.

The CHAIRMAN. Did you buy the building out of these funds?

Mr. HANOVER. We bought the building, I believe, prior to—yes—we bought the building prior to.

The CHAIRMAN. Prior to the beginning of this activity?

Mr. HANOVER. That is right, sir.

The CHAIRMAN. And then you used the funds to remodel it?

Mr. HANOVER. We used such funds as we had at the time.

The CHAIRMAN. Do you have a complete record of these funds, how you used them?

Mr. HANOVER. I believe that it can be shown without too much difficulty.

The CHAIRMAN. I am asking did you keep a financial record of these funds and can you account for them?

Mr. HANOVER. Yes. May I point this out so that it will be more clear?

The CHAIRMAN. There is no question about the use of the funds after you got them, such as you got?

Mr. HANOVER. That is right.

The CHAIRMAN. They were used for legitimate purposes, to pay your salaries, to employ more people, and to remodel a building.

Mr. HANOVER. And to maintain that building, sir.

The CHAIRMAN. All of it went for union purposes?

Mr. HANOVER. It went for those purposes, exclusively, sir.

The CHAIRMAN. Except you got gypped by the guy that did the collecting?

Mr. HANOVER. Terribly.

The CHAIRMAN. I think you union people ought to look into these things more carefully.

I do not understand it. I do not mean that this applies to all unions, but we find over and over where these things occur which are improper. We have an ex-convict mixed up in this. That is why I take the position that I think there should be a law to prohibit these unreformed convicts from having positions of trust and authority in labor unions.

Mr. HANOVER. May I make a comment, sir?

The CHAIRMAN. I would be glad for you to.

Mr. HANOVER. We didn't know a thing about that until the revelations came out from this committee.

The CHAIRMAN. We have found in the course of our investigation of a limited number of unions that apparently not much investigation is made; except in some of them I think, or it has been indicated, that one of the requisites with respect to qualifications is that you

have to be some kind of a thug, or racketeer, or muscleman, or ex-convict, to get one of those positions by appointment, at least in some places. I am not charging that against all unions. I am sure it does not prevail in many. But it seems to me there is a duty resting upon the high officials of unionism to make a little check on the kind of men you employ and place in authority to represent the union.

Mr. KENNEDY. You can correct me if I am wrong, but some 47 percent of the total receipts of the New York State Federation of Labor were from this New York Federationist, from Mr. Lapensohn.

Mr. HANOVER. I think that is close, sir.

Mr. KENNEDY. That is over this period of time.

Mr. HANOVER. Yes.

The CHAIRMAN. What did the other come from?

Mr. HANOVER. From the per capita tax.

The CHAIRMAN. The per capita tax of your members?

Mr. HANOVER. From our affiliated local unions, and it had not changed since 1865. It was very low.

Mr. KENNEDY. Do you believe it was the fact that in practice you and the group in Pennsylvania were receiving so much money from these periodicals and were dependent on these periodicals, do you think that was the reason that you did not make an investigation?

Mr. HANOVER. I do not think in our case it was the reason. I think in our case we felt that we were doing business with two honorable people.

Mr. KENNEDY. The fact is that you didn't make any kind of a study on what you admit now was a potentially very dangerous situation. You made no study, you had no supervision at all over the situation.

Mr. HANOVER. Mr. Kennedy, for a year or two we checked as best we could.

Mr. KENNEDY. After that time.

Mr. HANOVER. After that time, we checked as best as we could through our auditor.

Mr. KENNEDY. But after that, you had no control over this situation whatsoever.

Mr. HANOVER. Beyond that, I have to be very frank and state that we did not, sir.

Mr. KENNEDY. I believe at the beginning you stated that you were receiving a considerable amount of income from these.

Mr. HANOVER. That is correct, sir.

Mr. KENNEDY. Mr. Chairman, this is the contract, a copy of it.

The CHAIRMAN. Would you identify this document for us, please, sir.

(The document was handed to the witness.)

Mr. HANOVER. That is a copy of the original document, sir.

The CHAIRMAN. That is a photostatic copy of the contract between the State federation and Rolee Publishing Co.

Mr. HANOVER. Yes.

The CHAIRMAN. That may be made exhibit 50.

(The document referred to was marked "Exhibit No. 50" for reference, and may be found in the files of the select committee.)

The CHAIRMAN. Is there anything further?

Mr. KENNEDY. That is all.

The CHAIRMAN. Have you any questions, Senator Ervin?

Senator ERVIN. No.

The CHAIRMAN. Thank you very much.

Mr. KENNEDY. I wish to refer to clause 9 of the contract. This is on the subject of misdirection of funds.

The CHAIRMAN. Clause 9 of this contract between the New York State Federation of Labor and the Rolee Co. reads as follows:

All checks for subscriptions and advertisements are to be payable to the New York State Federation of Labor, and shall be forwarded to the secretary-treasurer at the main office of the federation at 15 South Hawk Street, Albany, N. Y.

So the conversion of those funds was a violation of the contract; is that correct?

Mr. KENNEDY. That is correct.

The CHAIRMAN. Call the next witness.

Mr. KENNEDY. Mr. Trimble.

The CHAIRMAN. Come forward, Mr. Trimble.

Do you solemnly swear the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. TRIMBLE. I do.

TESTIMONY OF HENRY W. TRIMBLE, JR.

The CHAIRMAN. State your name, your place of residence, and your business or occupation.

Mr. TRIMBLE. My name is Henry W. Trimble, Jr. My residence is 9 Duryea Road, in Upper Montclair, N. J. I am secretary of International Business Machines Corp., a New York corporation.

The CHAIRMAN. Thank you very much. You waive counsel, do you, Mr. Trimble?

Mr. TRIMBLE. Yes, sir.

The CHAIRMAN. Proceed, Mr. Kennedy.

Mr. KENNEDY. You are secretary to the IBM Co.?

Mr. TRIMBLE. Yes, sir; I am the secretary of the corporation.

Mr. KENNEDY. How many employees does IBM have?

Mr. TRIMBLE. 85,000 worldwide, of which 61,000 are in the United States.

Mr. KENNEDY. Are any of them members of any unions?

Mr. TRIMBLE. None.

Mr. KENNEDY. You are completely unorganized?

Mr. TRIMBLE. Well, in this country; I am not fully familiar with abroad.

Mr. KENNEDY. As far as the United States is concerned, as far as the 61,000?

Mr. TRIMBLE. Yes, sir.

Mr. KENNEDY. IBM made certain payments to the New York federation?

Mr. TRIMBLE. Yes, sir.

Mr. KENNEDY. And that started in 1949; is that right?

Mr. TRIMBLE. I believe it was earlier than 1949. I believe it started around 1939.

Mr. KENNEDY. Well, as far as the contributions to the New York federation, they started in 1949; did they not?

Mr. TRIMBLE. Let me say that for a number of years during the war, we took advertisements in the New York Federationist, and we did not take any in 1948, and we commenced again in 1949.

Mr. KENNEDY. All right. Then we will start in 1949, after Mr. Lapensohn took over. You made a \$5,000 payment to the New York Federationist?

Mr. TRIMBLE. We took 2 advertisements at \$2,500 each; yes, sir.

Mr. KENNEDY. Did you actually have advertisements in?

Mr. TRIMBLE. No, sir; they were contributions to the expenses of publication.

Mr. KENNEDY. You paid \$5,000 in 1949?

Mr. TRIMBLE. A total of \$5,000, yes, sir.

Mr. KENNEDY. With the understanding there would be no ad?

Mr. TRIMBLE. Yes, sir.

Mr. KENNEDY. In 1950, how much was it?

Mr. TRIMBLE. How much? I believe it was 2 advertisements, again complimentary with no copy, of \$2,500 each.

Mr. KENNEDY. A page ad cost \$500.

Mr. TRIMBLE. Well, the amount was written as an advertising contract of \$2,500.

Mr. KENNEDY. It might have been written as an advertising contract, but the ad only cost \$500. So you took 10 ads.

Mr. TRIMBLE. Perhaps that is so.

Mr. KENNEDY. Here you are a nonunion company and you are taking 10 ads in a union publication?

Mr. TRIMBLE. I am not sure we took 10 ads.

Mr. KENNEDY. Well, a page ad is \$500. Then in 1951, \$2,500?

Mr. TRIMBLE. These were contributions to the publication of the magazine; they were entered as advertising, and on an advertising contract submitted to us by the publication.

Mr. KENNEDY. Were they charged as deductible expense in the business?

Mr. TRIMBLE. I am not familiar with how they were charged, sir.

The CHAIRMAN. I don't get any deductions for making gifts to an individual. That's what this amounts to. You got no ads, you got no service.

Mr. TRIMBLE. Let me say that these were on advertising contracts submitted by the union. I believe your counsel has copies of them.

The CHAIRMAN. I understand that. You write a contract that is advertising, but, in fact, it is nothing but a gift.

Mr. TRIMBLE. There is no copy, correct.

The CHAIRMAN. All right.

Mr. KENNEDY. 1949, \$5,000; 1950, \$5,000; 1951, \$2,500; 1952, \$2,500; 1953, \$2,500; 1954, \$2,500; 1955, \$2,500.

Mr. TRIMBLE. Right.

Mr. KENNEDY. Did you discontinue after that?

Mr. TRIMBLE. Yes, sir.

Mr. KENNEDY. For a total of \$22,500?

Mr. TRIMBLE. Yes, sir.

Mr. KENNEDY. What possible explanation can you make, can the IBM Co. make, for contributing \$22,500 to an organization, to the New York Federationist, when none of your employees were members of the union?

Mr. TRIMBLE. Well, during this period, we made extensive advertising and contributions to many, many publications including about 56 labor publications. There were a total all told, I believe, of 300 different publications of different kinds. This was one part of that program.

Mr. KENNEDY. We are talking now about from 1949 on. What I am trying to find out is why you, with no union employees, made such a large payment over this period of time, \$22,500 to this labor organization newspaper or magazine.

Mr. TRIMBLE. Well, as you have stated, Mr. Kennedy, these were \$2,500 pieces. The total over that period, the amount you said, is right. As far as the amounts go, we did not regard them as unusual, and I have no explanation other than we were requested to contribute that amount toward circulation, and we did so.

Mr. KENNEDY. You paid for 45 full-page ads for which you didn't receive one ad.

Mr. TRIMBLE. No copy was submitted during those years; I am sorry. I believe in 1 or 2 of the years there was copy, there was advertising copy. That was true in prior years, prior to 1948, I know.

Mr. KENNEDY. You state here there is a memorandum from International Business Machines to Tom Murray, which states in part—

We do not wish to have any space in the book, nor is there to be any mention of our company name.

Mr. TRIMBLE. Right.

Mr. KENNEDY. It is very clear.

Mr. TRIMBLE. As I say, perhaps you have not seen the prior years to that, but there was copy in those years.

Mr. KENNEDY. This was 1952, I believe, did you have any from 1949, after Mr. Lapensohn took over the magazine?

Mr. TRIMBLE. I don't believe so. I am not quite sure. I don't believe so.

Mr. KENNEDY. Isn't it a fact that you were just attempting through the payment of this money to keep the labor unions happy?

Mr. TRIMBLE. No, sir, certainly not.

Mr. KENNEDY. What other possible explanation can there be?

Mr. TRIMBLE. As I say, the company has a program of goodwill advertising in general in many different kinds of publications, including labor publications.

The CHAIRMAN. Let me ask you a question in that connection?

Mr. TRIMBLE. Yes, sir.

The CHAIRMAN. I assume you thought actually you were going to get nothing in return, so far as advancing your business, other than through goodwill; is that correct?

Mr. TRIMBLE. That is correct. It is a goodwill program.

The CHAIRMAN. You didn't think an ad was worth anything, you didn't want an ad?

Mr. TRIMBLE. No, sir.

The CHAIRMAN. Couldn't you have at least put in something complimentary to the labor organization and paid for that so that he who read might know your sentiments?

Mr. TRIMBLE. Often we did.

The CHAIRMAN. I am sure of that.

Mr. TRIMBLE. And often we put in patriotic ads, such as "Buy War Bonds" and that type of thing.

The CHAIRMAN. Why not take advantage to get that much out of it, at least.

Mr. TRIMBLE. As I say, some times we did and some times we did not.

The CHAIRMAN. Obviously you didn't in this instance.

Mr. TRIMBLE. No, we didn't.

The CHAIRMAN. What is the real reason?

Mr. TRIMBLE. There is no real reason at all. It was just our practice not always to have copy in our ads. It is not only true in this publication——

The CHAIRMAN. Well, how about this publication——

Mr. TRIMBLE. May I finish, sir?

The CHAIRMAN. Yes.

Mr. TRIMBLE. It is not only true in this publication, but in other publications which had, again, this goodwill advertising and which had nothing to do with the labor organizations. I have collected some statistics that show that in about three-quarters of the cases in labor publications and nonlabor publications we do not have any copy, nor do we have a complimentary-type ad with a name signed to it. I would be glad to submit that.

Senator ERVIN. I have difficulty identifying the nature of the International Business Machines. Is that your company?

Mr. TRIMBLE. Yes, sir.

Senator ERVIN. I have difficulty telling whether you are a hard-headed bunch of businessmen or a softhearted bunch of businessmen or a business organization or an eleemosynary institution. Can you help me and tell me which one of those things you fit?

Mr. TRIMBLE. Well, we like to think of ourselves as hardheaded businessmen. We also realize that we have certain responsibilities as a corporation, both in the field of charitable contributions and in other fields.

Senator ERVIN. If I was one of your stockholders, I would think you were acting rather peculiarly when you gave \$2,500 annually to an organization for advertisements and then told them you didn't want any advertisements.

Mr. TRIMBLE. If you take the fraction of the advertising budget that these amounts represent, it comes to a very small amount of the total advertising budget, as you can imagine. Some amount was set aside for this, what we call, goodwill advertising, which is akin to institutional advertising, where you will just have your name with no product connection. It is another form.

Senator ERVIN. It looks like to me that the advertising would be rather fictitious, to take and make an entry on the records that you had disbursed \$2,500 for advertising to a certain publication, when you had informed that publication that you didn't want any advertisement. That is a rather startling kind of a thing.

Mr. TRIMBLE. We supported the publication but we did not have any advertising copy. I believe that is a fair statement.

Senator ERVIN. According to your testimony, you made an expenditure of \$2,500, which the company apparently represented to its stockholders as a disbursement for advertisement purposes, and at the same

time you notified the organization, from which your stockholders though you were getting advertising, that you didn't want advertising.

Isn't that a fact?

Mr. TRIMBLE. I am sorry, sir. I lost you a little bit down the trail. I think perhaps I can say it in my own words. There were many instances, and this New York Federation is one, where we supported the publication of a periodical or yearbook and had no copy in it. We did it for what we thought were good business reasons; namely, that it was all part of what we call good-will advertising.

Senator ERVIN. In other words, you were just purchasing good will from them for \$2,500 and seeking nothing else?

Mr. TRIMBLE. I don't like the word "purchase," but I agree with you that it was a good-will effort.

Senator ERVIN. That would be an awfully nice way to be able to grant good will. I have always had a kindly feeling toward Santa Claus, but this is a little better.

Mr. TRIMBLE. As you know, every corporation also has many charitable contributions which are requested of it.

The CHAIRMAN. During that period of time, were any efforts made to organize your company?

Mr. TRIMBLE. No, sir. We have never had an effort made to organize our company.

The CHAIRMAN. That is what I thought.

Senator ERVIN. That is what puzzled me. If your company thought that it was a laudable thing to make a gift of \$2,500 to a Federation of Labor, a federation representing labor men, I wonder why your company didn't think labor was good enough to invite them to come in and organize your people.

Mr. TRIMBLE. Well, I guess we could speculate about that, sir. I don't think we would have ever considered \$2,500 to being any particular inducement to labor. We never even, of course, considered making such inducement. But a size of this amount I don't think we would regard as very seriously.

Senator ERVIN. You thought it just enough to get a little good will?

Mr. TRIMBLE. Well, it was part of a program.

Senator ERVIN. And there was absolutely no hope or expectation on the part of your company that these contributions to good will would have any effect of preventing the organization into labor unions of the folks that work for your company?

Mr. TRIMBLE. No, sir.

Senator ERVIN. That was the most remote thing from the contemplation and imagination of the officials of your company in making these contributions?

Mr. TRIMBLE. I believe that is quite a fair statement.

Mr. KENNEDY. In that connection, whose good will were you attempting to purchase?

Mr. TRIMBLE. I don't really know whose good will it was.

Mr. KENNEDY. Whose good will were you attempting to get?

Mr. TRIMBLE. Let me try to answer you as best I can. I don't know that we had in mind anybody's specific good will at this time.

Mr. KENNEDY. You paid \$22,500 from IBM, for nobody's good will? Just for good will but nobody special?

Mr. TRIMBLE. Very often we do the same thing for the Red Cross and other organizations.

Mr. KENNEDY. Do you consider the New York Federationist in the same category as the American Red Cross?

Mr. TRIMBLE. As I say, there are some 56 labor publications as part of the three hundred-odd during this period that we followed similar practice with.

Mr. KENNEDY. That does not answer the question. Maybe we should go into all those, too, but we happen to be discussing this one where you paid \$22,500. Whose good will were you attempting to purchase or obtain; Mr. Murray's?

Mr. TRIMBLE. I frankly do not know. I was not with the company at that time.

Mr. KENNEDY. What is the motto of your company?

Mr. TRIMBLE. "Think".

Mr. KENNEDY. Did they think before they made the payment?

Mr. TRIMBLE. That is a very good question.

Mr. KENNEDY. I think they did.

Mr. TRIMBLE. Not to my knowledge.

The CHAIRMAN. Is there anything further?

Senator ERVIN. If they continue these things, I think I could pick out a lot of organizations which to my mind would more properly be classified as proper recipients of charity, and if you don't object, I will send you the names of a few of them.

Mr. TRIMBLE. I might assure you that we have quite a few.

Senator ERVIN. I might add that there are many other organizations that really stand in need of monetary sustenance as well as prayer.

Mr. TRIMBLE. Right. Fine.

The CHAIRMAN. All right. Thank you.

Mr. TRIMBLE. Thank you.

The CHAIRMAN. Call the next witness.

Mr. KENNEDY. Mr. Carl Nixon.

The CHAIRMAN. You do solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. NIXON. I do.

TESTIMONY OF CARL NIXON

The CHAIRMAN. State your name, your place of residence, and business or occupation.

Mr. NIXON. My name is Carl Nixon. I reside at 963 East Avenue, Rochester, N. Y. I am an attorney with offices at 31 Exchange Street, Rochester, N. Y.

The CHAIRMAN. I assume you waive additional counsel?

Mr. NIXON. Yes, sir.

The CHAIRMAN. Proceed.

Mr. KENNEDY. You are also general counsel of the Rochester Gas & Electric Co.; is that right?

Mr. NIXON. Yes, sir.

Mr. KENNEDY. And a director?

Mr. NIXON. I am a director; yes, sir.

Mr. KENNEDY. I would like to ask you where any payments were made by the Rochester Gas & Electric Corp. to the Rolee Co. or to any of its officials?

Mr. NIXON. No, sir.

Mr. KENNEDY. Were there any payments made directly or indirectly?

Mr. NIXON. I don't know the name Rolee at all. I came to tell you about a——

Mr. KENNEDY. The Pennsylvania Federation?

Mr. NIXON. No; I don't know them at all.

Mr. KENNEDY. We will start all over again.

Mr. NIXON. All right.

Mr. KENNEDY. Were there any payments made directly or indirectly by the Rochester Gas & Electric Co. to Mr. Lapensohn, to the Rolee Co., or to the New York Federation?

Mr. NIXON. There was a payment made indirectly to a man who gave his name to me as George Mason, who represented that he was the representative of the New York State Federationist, which was the magazine being published for the American Federation of Labor in New York State, as I understood it.

Mr. KENNEDY. Would you explain how that came about, please?

Mr. NIXON. Yes; I will. Mr. Mason called me on the telephone and said that Mr. Bebe had told him to call me. Mr. Bebe was then president of the Rochester Gas & Electric Corp.

Mr. KENNEDY. That is Alexander Bebe?

Mr. NIXON. That is correct.

Mr. Bebe previously told me that I might get a call from a man named Mason. Bebe explained that he had heard from Mr. Thomas E. Murray that Mr. Mason would be calling on him, and he hoped he would be given sympathetic consideration.

Mr. Mason had called Mr. Bebe soliciting an ad in this book. Mr. Bebe would not give him an ad. Bebe had reported to the directors this incident, and he said he would like to help the AFL because they had been helpful to the private enterprise companies which were trying to develop Niagara, but that he felt that he could not take an ad in the name of the company for quite a different reason than I have heard since I have been here this afternoon, and that is that the signature of the Rochester Gas & Electric Corp. to an ad in a booklet gotten out by the American Federation of Labor would be interpreted in some circles among their employees that the company approved membership in the AFL. The company was not organized.

Mr. KENNEDY. None of your employees were members of any labor organization?

Mr. NIXON. No, sir.

(At this point, Senator Curtis entered the hearing room.)

Mr. NIXON. I told him I couldn't do anything. Mason called me several times. He told me that he had called other directors and they had referred him to me.

One director, John Boylin, did call me, and told me that Mason had called him, that he wished he could do something. I told Mason that we appreciated what they had done, we appreciated their attitude, but we couldn't put an ad in for the reason—I told him frankly why I didn't want to sign our name.

He suggested that I sign my name to it and I said no for the same reason. I was known as a director for the company, and I was also attorney for the telephone company in Rochester, which is organized, and I have had some labor work.

I told him I wouldn't do it. He still persisted. He called me several times. Finally I told him that I would take a page ad. The page ad that I supposed I was taking was \$1,000. But I would give him the money in cash and I didn't want my name published or the Rochester Gas & Electric.

I sent him \$1,000 in cash to an address on East 40th Street or some place that I understood to be the address of the New York State Federation of Labor. I made two payments after that in 2 later years of \$500 each, both in cash, both to George Mason, who was known to me by that name as a representative of the New York State Federation.

The CHAIRMAN. Have you seen him here?

Mr. NIXON. I never have seen him in my life.

The CHAIRMAN. I thought we had someone here using that name?

Mr. KENNEDY. His name is really Mr. Lyon.

Mr. NIXON. I was told the man is dead, but I only knew him as "Mason."

Mr. KENNEDY. He just recently died.

You paid \$1,000 in cash on March 11, is that right, in 1955?

Mr. NIXON. Yes, sir.

Mr. KENNEDY. And on April 27, 1956, another \$500 in cash?

Mr. NIXON. Yes, sir.

Mr. KENNEDY. On March 15, 1957, another \$500 in cash?

Mr. NIXON. That is right.

Mr. KENNEDY. Where did you get that cash from?

Mr. NIXON. I got it out of my own bank or my own pocket.

Mr. KENNEDY. For what reason did you pay the money?

Mr. NIXON. Well, frankly, I did it because I thought some of the directors would like to have something done, because we were appreciative of their support. They had passed resolutions which I now understand were fakes, but we didn't know it then. We had published them, and we were doing whatever we could to arouse support in favor of the private enterprise bill. There were 2 or 3 of them at different times, and it was actually, I would say, recognition of some help that was given to us in an attempt to get some favorable legislation.

Mr. KENNEDY. You paid some \$2,000 in cash because you were grateful to the New York Federation of Labor?

Mr. NIXON. Well, I paid it out of my pocket because I wanted to do what I could to keep the gas and electric company in good standing, so to speak, with these unions.

The CHAIRMAN. I want to thank you for your frankness. I think that is the way to tell it. You paid it because you thought it was a good investment to keep them off your neck?

Mr. NIXON. That isn't right. I don't want to be misunderstood that way. They had helped us in this matter of private development in Niagara, and we were appreciative of their efforts, and we thought they should be supported.

The CHAIRMAN. If I get you correctly now, it was a token of appreciation?

Mr. NIXON. Yes, sir.

The CHAIRMAN. Something to recognize what they had done, and you said, "I will give you this because I appreciate it. You are on the right side."

Mr. NIXON. There is nothing implicit in it that they would continue to do it, and they were on record and that is all there was to it.

Mr. KENNEDY. Is that the kind of procedure that you follow? If a labor union or labor organization does something you like, you go and pay some money to them?

Mr. NIXON. No, sir.

Mr. KENNEDY. That is what you did in this case?

Mr. NIXON. That is correct.

Mr. KENNEDY. You gave them \$2,000 in cash and you didn't even use a check?

Mr. NIXON. That is correct.

Mr. KENNEDY. What possible explanation can you have for that?

Mr. NIXON. For not using a check?

Mr. KENNEDY. No. 1, for not using a check, and No. 2, for making a payoff to a labor organization for performing some services that you liked.

Mr. NIXON. It wasn't a payoff. It was recognition, and appreciation of a position that they had previously taken.

Mr. KENNEDY. Why did you use cash?

Mr. NIXON. I told you that I didn't want my name on any sucker list, and I didn't want my name in that book, and the Rochester Gas & Electric Corp. didn't want its name in the book for the reason that it might have been interpreted as a "go-ahead" signal for organizing by AFL organizers.

Mr. KENNEDY. Your name wouldn't necessarily be in the book any more if you paid by check or by cash?

Mr. NIXON. I don't know how they handled it at all, and I didn't want any indication that either I or Rochester Gas & Electric Corp. had given that money.

Mr. KENNEDY. Did you make arrangements for any of the other companies that you represented up there to make any payment?

Mr. NIXON. No, sir; and so far as I know none of them were solicited.

Mr. KENNEDY. What about the Eastman Kodak?

Mr. NIXON. I know nothing about them.

Mr. KENNEDY. Do you know if they paid some money?

Mr. NIXON. I don't know a thing about it.

Mr. KENNEDY. Do you represent them?

Mr. NIXON. Yes, sir.

Mr. KENNEDY. According to your records, they did. Are they organized or unorganized?

Mr. NIXON. Unorganized.

Mr. KENNEDY. They paid \$1,000 by bank cashier's check. Each year they made a payment. Do you know why they did that?

Mr. NIXON. I don't know anything about that.

Mr. KENNEDY. Each year they paid that.

Mr. NIXON. I think Mr. Dunn told me that the Rochester Telephone Co. gave something, and I didn't know the amount, and I don't even know it now.

Mr. KENNEDY. This \$2,000, Mr. Chairman, was never even entered in the books of Rolee. It was a complete diversion, and, of course, you assisted that by paying cash?

Mr. NIXON. I have no doubt about it, and I am very sorry about it, but I didn't know then what I know now.

Mr. KENNEDY. Did you know that if it had gone to the proper sources, 75 percent of it was going to private organizations?

Mr. NIXON. I didn't know what the internal workings of the organization were.

Mr. KENNEDY. Did you think it was all going to the AFL?

Mr. NIXON. I thought it was.

Mr. KENNEDY. You thought you were making a payment to the AFL of \$2,000 in cash?

Mr. NIXON. They had purposes, and they indicated they were doing certain work, and I heard them talking about anticommunism. That was one thing Mason mentioned to me, and I heard nothing about school scholarships, and I didn't know what they were going to use it for.

Mr. KENNEDY. They had been against public power and you were grateful to them?

Mr. NIXON. They were in favor of the private development of Niagara, and I don't know whether they are against public power or not. In this particular situation they were in favor of Niagara development by private companies.

Mr. KENNEDY. If you liked the way they were performing, why hadn't you made an offer of the \$2,000 as a token of appreciation, rather than to wait until they came to you?

Mr. NIXON. I don't think that anybody would be likely to do that.

Mr. KENNEDY. I am just trying to understand if it was a token of your appreciation.

Mr. NIXON. It was a token of appreciation after we had been asked to put in an ad at a price of \$1,000. We didn't put the ad in, but I still felt they were entitled to some recognition.

Mr. KENNEDY. Were you reimbursed for that by the company?

Mr. NIXON. No, sir.

The CHAIRMAN. I would like to ask counsel, if this \$2,000 or any part of it ever went to the American Federationist, or to the New York Federation?

Mr. KENNEDY. None of this money went to the New York Federation of Labor, and no tax was paid on the money at all.

The CHAIRMAN. There is no record of it, then?

Mr. KENNEDY. There is no record. It is not entered in the books of the corporation, Rolee.

The CHAIRMAN. Nor entered in the books of the federation?

Mr. KENNEDY. That is correct.

The CHAIRMAN. There is no record of it. It was probably just put in the fellow's pocket.

Mr. KENNEDY. The same situation was followed by the IBM. Only a small percentage of that ever went to the New York Federation of Labor. Most of that, I believe some \$15,000 of that, was also diverted.

The CHAIRMAN. You businessmen will need to get to be a little smarter. You run a business, but you certainly are a victim of something here.

Mr. KENNEDY. It is also consistent, Mr. Chairman, because here was a payment by cash under these circumstances. It is most suspicious.

Senator CURTIS. Did you have a feeling, throughout this transaction, that you were dealing with the AFL?

Mr. NIXON. Yes, sir.

Senator CURTIS. The New York Federation of Labor?

Mr. NIXON. Yes, sir.

Senator CURTIS. Their statewide organization?

Mr. NIXON. The New York State organization, affiliated, I suppose, with the AFL.

Senator CURTIS. If there is something wrong with the transaction, you had to pay, and somebody else gained; is that right?

Mr. NIXON. I don't understand you.

Senator CURTIS. You received no gain out of the transaction?

Mr. NIXON. Not that I know of; no, sir.

Senator CURTIS. That is all.

Mr. KENNEDY. Mr. Chairman, we have one of these resolutions here, and could we have Mr. Dunne place this in the record and give an explanation of it?

TESTIMONY OF ROBERT E. DUNNE—Resumed

Senator ERVIN. You have been sworn, have you?

Mr. DUNNE. Yes, sir; I have been sworn.

Mr. KENNEDY. Just explain, in brief, what it is.

Mr. DUNNE. This is a series of documents. The first is a letter dated September 17, 1954, on the letterhead of the New York State Federation of Labor, the 46th Street address which was Rolee Publications, signed by George Mason, director of publicity, to Mr. Climer, of the Goodyear Tire & Rubber Co., soliciting his assistance in a campaign to better good roads.

He enclosed a copy of a resolution on the resolution form of the New York State Federation of Labor, in which, according to the resolution it was approved on July 22, 1954, at the 91st Annual Convention of the New York State Federation of Labor, and concerned better roads for America. It was resolved—

That the New York State Federation of Labor use its best efforts to cause the earmarking of gasoline and toll taxes throughout the Nation for the construction and maintenance of roads and highways and to prevent the diversion of such funds to other uses.

An examination of the records of the State federation of labor reflected that this resolution is a complete fraud, and it never existed and was never introduced and never passed. The resolution of similar number concerned widows' pensions, and had nothing to do with good roads.

There is a letter addressed to Mr. Murray, at the New York State Federation of Labor, address of Rolee Publications, enclosing Goodyear Tire & Rubber Co.'s check of \$500 as a contribution. This was diverted by Rolee, and a forged endorsement put on, and the money deposited in a special bank account.

There is a letter, then, thanking Mr. Arden E. Firestone, of Goodyear Rubber, for his \$500 contribution, with the forged signature of Thomas Murray.

Senator ERVIN. You say a forged signature?

Mr. DUNNE. Yes, sir.

Senator CURTIS. How do you know that?

Mr. DUNNE. It is signed by Mrs. Lefkowitz.

Senator CURTIS. That doesn't make it a forgery.

Mr. KENNEDY. She said she did it on the instructions of Mr. Lapensohn, and they never had any authorization to send out such letters, according to the affidavit of Mr. Murray.

Senator CURTIS. I thought you were talking about the endorsement of the check.

Mr. DUNNE. There is a forged endorsement on the check, also, Senator. It is made payable to the New York State Federation of Labor, and Mrs. Lefkowitz has testified earlier that, at Mr. Lapensohn's instructions, she had cause to be prepared a rubber stamp reading: "New York State Federation of Labor, pay to the order of New York Federationist," and they opened a special bank account in the name of New York Federationist, and diverted many of these checks, several hundred of them.

Senator CURTIS. That wouldn't be a forgery of the lady involved.

Mr. DUNNE. It was a forgery of the organization's name.

Senator CURTIS. I realize it is not their signature, but I wouldn't think it is a forgery, so far as the lady that performed the physical act.

Mr. KENNEDY. She received her instructions from her employer, and she did not know that this was going to occur, but, in fact, as we examined the contract between the federation of labor and the Federationist, as we examined what happened to these funds, we find that Mr. Lapensohn set up this special bank account, and he bought some stamps, and he instructed her to deposit this money in the bank account, and then he used it himself.

Senator CURTIS. I am not discussing Mr. Lapensohn at all, but I don't think this lady that testified here is guilty of forgery.

Mr. KENNEDY. I am not saying she is.

Senator CURTIS. If it is a forgery, somebody forged.

Mr. KENNEDY. I would say it was done by Mr. Lapensohn.

Senator ERVIN. As I understood what the witness was answering me about a forgery there, it was a forgery of a letter.

Mr. DUNNE. And on the check, also.

Senator ERVIN. Let the record show that the papers that the witness has identified as photostatic copies will be made exhibit 51.

(Document referred to was marked "Exhibit No. 51" for reference.)

Mr. KENNEDY. Mr. Chairman, we have two witnesses that we have to finish up from local 596, and it has nothing to do with this matter that we have here, and I would like to call both of them at the same time.

That is Mr. Bertucci and Mr. Strauss.

Senator ERVIN. Do you solemnly swear the evidence, given before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BERTUCCI. I do.

Mr. STRAUSS. I do.

TESTIMONY OF LOUIS BERTUCCI AND LEON STRAUSS, ACCOMPANIED BY THEIR COUNSEL, ALBERT S. OLIENSIS

Senator ERVIN. Let each one of the witnesses give their names, starting on the right. You give your name and address, and your business or occupation.

Mr. BERTUCCI. Louis Bertucci, 2718 East Cambria Street, Philadelphia, Pa., president of the Teamsters Local 596.

Senator ERVIN. And the other witness will give his name and his address and his business or occupation.

Mr. STRAUSS. Leon Strauss, 1904 South 21st Street, business agent and trustee of local 596.

Senator ERVIN. Each one of you gentlemen, are you represented by counsel?

Mr. OLIENSIS. I am appearing as counsel. I am Albert Oliensis and I live at 8409 Widiner Road, Philadelphia; and I am an attorney at law, and my office is at 1 North 13th Street, Philadelphia.

Senator ERVIN. Will you proceed, counsel?

Mr. KENNEDY. You are the attorney for these two individuals and you have nothing to do with the union?

Mr. OLIENSIS. Nothing whatsoever.

Mr. KENNEDY. Your fees being paid by these individuals?

Mr. OLIENSIS. It is, sir.

Mr. KENNEDY. Now, Mr. Bertucci, how long have you been president of local 596?

Mr. BERTUCCI. Since 1954.

Mr. KENNEDY. How long have you been in local 596?

Mr. BERTUCCI. Since the middle of 1953.

Mr. KENNEDY. What were you doing prior to that?

Mr. BERTUCCI. Truckdriver for 23 years.

Mr. KENNEDY. What local were you a member of prior to that time?

Mr. BERTUCCI. Local 107 of Philadelphia.

Mr. KENNEDY. After going into 596, you became president within a year or so?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. Did you have any opposition?

Mr. BERTUCCI. No.

Mr. KENNEDY. You did not?

Mr. BERTUCCI. No.

Mr. KENNEDY. Who spoke to you about running for president prior to the time you ran?

Mr. BERTUCCI. A few of our members, and Mr. Anthony Morisko, who was secretary-treasurer, and Ed Slisch, who was president, who is deceased now, and Morisko resigned for bad health.

Mr. KENNEDY. They all had a conference together?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. And you put up Mr. Larry Thomas, who also ran at that time, and it was a new slate that was elected?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. You didn't have any opposition?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Did you have conferences with Mr. Raymond Cohen prior to that time?

Mr. BERTUCCI. No.

Mr. KENNEDY. You knew Mr. Cohen prior to that time?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. What arrangements did you have as far as salary and expenses were concerned?

Mr. BERTUCCI. Pardon me, sir.

(Witness consulted with counsel.)

Mr. OLIENSIS. Would your honors indulge us for just a second.

(Witness consulted with counsel.)

Mr. BERTUCCI. I respectfully decline to answer the question on the ground I am not required to give evidence against myself, under the fifth amendment.

Mr. KENNEDY. You won't tell us what your salary or your expenses were, is that right?

Mr. BERTUCCI. That is right.

Mr. KENNEDY. Because it might tend to incriminate you, if you gave a truthful answer, is that correct?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. As president, were you aware of any of the acts of vandalism or violence that occurred in connection with the strikes of local 107 or 596?

Mr. BERTUCCI. Sir, I respectfully decline to answer the question on the ground I am not required to give evidence against myself, under the fifth amendment.

Mr. KENNEDY. Did you know Mr. Benjamin Lapensohn?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. Did you have any financial transactions with him?

Mr. BERTUCCI. No.

Mr. KENNEDY. Were you ever aware of the fact that he ever received any money from any employer?

Mr. BERTUCCI. No.

Mr. KENNEDY. You had no information along that line?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Have you ever received any money from any employer yourself?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Were you aware that the paint remover was being purchased by Mr. Larry Thomas?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. You were not aware of that?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. That purchase of paint remover was not done at your instructions, is that right?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Did you know that the paint remover had been thrown by Mr. Larry Thomas on any of the Pontiac automobiles?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Did you know prior to the time that the paint remover was thrown on the Pontiac automobiles, that it was to be done?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. You were completely unaware of the whole situation, is that correct?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. Do you know anyone else who participated, or any of those who were responsible for throwing the paint remover on the automobiles?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Were you ever told by any member of the union that he had participated in that act of vandalism?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Did Mr. Larry Thomas ever discuss this with you?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. He never discussed or never mentioned it before?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. How is it that union funds could be used to purchase the paint remover without your knowing?

Mr. BERTUCCI. I respectfully decline to answer the question on the ground I am not required to give evidence against myself, under the fifth amendment.

Mr. KENNEDY. Did you know after the event occurred, that that paint remover had been used by Mr. Larry Thomas to throw it on the automobiles?

Mr. OLINISIS. May I ask Your Honors' indulgence a second.

(Witness consulted with counsel.)

Mr. BERTUCCI. I don't know how it was paid.

Mr. KENNEDY. You don't know how it was paid for?

Mr. BERTUCCI. No.

Mr. KENNEDY. Was it possible to get checks? Do you sign checks on 596?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. When you made it to Girard Paint Co., you didn't know what you were paying for?

Mr. BERTUCCI. No, sir.

(At this point, the following members were present: Senators McClellan, Ervin and Curtis.)

The CHAIRMAN. Who approved the bill?

(The witness conferred with his counsel.)

Mr. BERTUCCI. I respectfully decline to answer the question on the ground that I am not required to give evidence against myself under the fifth amendment.

The CHAIRMAN. You must have approved it. You are the president. Do you approve the bills of the local before they are paid?

(The witness conferred with his counsel.)

Mr. BERTUCCI. I never approved the bill or any other bill.

The CHAIRMAN. I didn't understand you.

Mr. BERTUCCI. I never approved it.

Mr. OLIENSIS. He said "I never approved the bill."

The CHAIRMAN. Whose duty is it, among the officers, to approve the bills for payment?

Mr. BERTUCCI. The trustees.

The CHAIRMAN. Who is the trustee?

Mr. BERTUCCI. Leon Strauss, Franklin Furbee, and Charley Flynn.

The CHAIRMAN. Do they approve all bills before they are paid?

Mr. BERTUCCI. Yes, sir.

The CHAIRMAN. And then who pays them after they are approved?

Mr. BERTUCCI. I do.

The CHAIRMAN. You as president sign the checks?

Mr. BERTUCCI. Along with the trustees.

The CHAIRMAN. Along with the trustees. And they approved this bill before you paid it?

Mr. BERTUCCI. Pardon me, sir.

(The witness conferred with his counsel.)

Mr. BERTUCCI. I never saw the bill.

The CHAIRMAN. You never saw the bill?

Mr. BERTUCCI. Right.

The CHAIRMAN. Did you see the check that paid it?

Mr. BERTUCCI. I have never seen it.

The CHAIRMAN. You are not saying that somebody forged the check and paid it, are you?

(The witness conferred with his counsel.)

The CHAIRMAN. The party who sold the paint remover, the business that sold it, testified that the bill was paid by the union.

How do you pay your bills, in cash or check?

Mr. BERTUCCI. Check.

The CHAIRMAN. Then if this bill was paid by the union, it would be paid by check, is that right?

(The witness conferred with his counsel.)

Mr. BERTUCCI. I never seen the bill.

The CHAIRMAN. You have never seen it?

Mr. BERTUCCI. No, sir.

The CHAIRMAN. I believe we have it here. It is an exhibit.

Mr. KENNEDY. It is coming up.

Was the union under trusteeship at that time?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. Who was administering the union?

Mr. BERTUCCI. Raymond Cohen.

Mr. KENNEDY. Would he have to approve these bills?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. Or would it be the trustees, such as Mr. Strauss?

Mr. BERTUCCI. He is the administrative trustee.

Mr. KENNEDY. So he would be the one that would have to approve it?

Mr. BERTUCCI. Both.

Mr. KENNEDY. Both the trustees and him?

Mr. BERTUCCI. Right.

Mr. KENNEDY. The three trustees and him?

Mr. BERTUCCI. Yes.

Mr. KENNEDY. And then you signed the check?

Mr. BERTUCCI. Right.

Mr. KENNEDY. But you never knew anything about that?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Did you ever give instructions to have any act of vandalism performed in your union by any of the members of your union?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Did you ever—other than getting into a fight, did you ever go out yourself and perform any act of vandalism, such as throwing paint remover or causing damage to personal property?

Mr. OLENSIS. With reference to the question of the fight, are you referring to the Horn & Hardart transaction?

Mr. KENNEDY. I said other than fights.

(The witness conferred with his counsel.)

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. You did not?

Mr. BERTUCCI. No, sir.

The CHAIRMAN. What was that you were taking the fifth amendment on a while ago?

Mr. BERTUCCI. Salary and expenses.

The CHAIRMAN. You have answered these other things pretty frankly. What is there about your salary or the money you get out of the union that might incriminate you? I just can't quite understand a witness coming in here and testifying about everything and then saying he can't tell what his salary is without being incriminated. It does not make sense.

(The witness conferred with his counsel.)

Mr. OLIENSIS. Your Honor, if I may explain for the witness, sir, his income tax returns were made up for him by an auditor and he is not sure that the tax return is absolutely correct and he is afraid to give an answer.

The CHAIRMAN. If it isn't correct, they will find out some day and he will have to answer then, I expect.

Mr. OLIENSIS. I am sure they will, sir.

The CHAIRMAN. That wasn't the purpose of the question. We asked, of course, trying to find out how union funds are being used. That is what we are concerned about primarily.

(The witness conferred with his counsel.)

Mr. BERTUCCI. We were paid by the union.

The CHAIRMAN. Sir?

Mr. BERTUCCI. We were paid by the union.

The CHAIRMAN. I am sure you were paid by the union, a salary, I assume. What is your salary?

Mr. BERTUCCI. Pardon me, sir.

(The witness conferred with his counsel.)

Mr. BERTUCCI. \$125.

The CHAIRMAN. A week?

Mr. BERTUCCI. Yes, sir.

The CHAIRMAN. \$125 a week. Is that all of your income from the union?

Mr. BERTUCCI. Yes, sir.

The CHAIRMAN. You have not any other income from the union?

Mr. BERTUCCI. No, sir.

The CHAIRMAN. Do you get expenses?

Mr. BERTUCCI. No, sir.

The CHAIRMAN. That is the total compensation and reimbursement you get?

Mr. BERTUCCI. Yes, sir.

The CHAIRMAN. I don't see any reason why you couldn't tell it.

Mr. KENNEDY. You didn't receive any other moneys?

Mr. BERTUCCI. No, sir.

The CHAIRMAN. It is a peculiar situation.

Mr. OLIENSIS. I think the witness may have misunderstood and thought you were not only referring to the present but for the entire past history and transactions, for the years going back.

The CHAIRMAN. All I am asking about was his salary. Maybe some of that should have been gone into. For the moment I was only asking about his salary. I thought it was an unusual thing to answer most everything else and couldn't say what his salary was.

Mr. OLIENSIS. Well, relax. I find that folks who are trying to tell the truth don't have anything to be very nervous about.

Mr. KENNEDY. Have you received any moneys from the union other than your salary since you became president?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. You haven't received any expenses?

Mr. BERTUCCI. Excuse me.

(The witness conferred with his counsel.)

Mr. BERTUCCI. Just to come here.

Mr. KENNEDY. What?

Mr. BERTUCCI. Just to come down to the Senate committee.

Mr. KENNEDY. You never received expenses other than that?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. The only money you have ever gotten out of the union is \$125 a week?

Mr. BERTUCCI. A week; yes, sir.

Mr. KENNEDY. That is all the money you have ever gotten from
596?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. Have you ever received any money from 107?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Has Raymond Cohen ever paid you any money?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Has he ever given you any money?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. What about Mr. Ben Lapensohn? Can you explain why he made arrangements on your bail bond?

(The witness conferred with his counsel.)

Mr. KENNEDY. Let's have the truth on this, now.

Mr. BERTUCCI. I don't know.

Mr. KENNEDY. Who made the arrangements, initially?

Mr. BERTUCCI. Pardon me, sir.

(The witness conferred with his counsel.)

Mr. BERTUCCI. I don't know.

Mr. KENNEDY. Whom did you discuss it with?

You are under indictment now, are you not, for assault and battery and three different matters?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. Who made the court arrangements, Mr. Bertucci?

(The witness conferred with his counsel.)

Mr. OLIENSIS. Would you clarify the question? What do you mean by "arrangements"?

Mr. KENNEDY. Who made arrangements with the law-enforcement agencies so far as your bail bond was concerned?

(The witness conferred with his counsel.)

Mr. KENNEDY. I want to expedite this.

Mr. BERTUCCI. I don't know.

Mr. KENNEDY. Whom did you discuss it with? Who got the lawyer for you? You are president of your union.

(The witness conferred with his counsel.)

Mr. BERTUCCI. Sir, I respectfully decline to answer the question on the ground I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. Do you mean on the question of who got the lawyer for you, you decline to answer that question?

Mr. BERTUCCI. I respectfully decline to answer the question on the ground I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. Did you discuss this matter with Raymond Cohen?

Mr. BERTUCCI. I respectfully decline to answer the question on the ground I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. On the question of your expenses, and your statement that you never received expenses from the union at any time, did you go to the Miami convention?

Mr. BERTUCCI. I respectfully decline to answer the question on the ground I am not required to give evidence against myself under the fifth.

Mr. KENNEDY. Let me ask you whether you received any expenses. You stated under oath before the committee that you never received any expenses. I am asking you whether you received any expenses during the period September 1, 1957, and December 1, 1957.

(The witness conferred with his counsel.)

Mr. OLIENSIS. May I have your indulgence?

(The witness conferred with his counsel.)

Mr. BERTUCCI. I made a mistake. They paid my way to Miami, to the convention.

The CHAIRMAN. Who?

Mr. BERTUCCI. The union.

The CHAIRMAN. Who paid it?

Mr. BERTUCCI. The union.

The CHAIRMAN. The union paid your expenses to the Miami convention?

Mr. BERTUCCI. Right.

Mr. KENNEDY. How much money did you receive for that?

Mr. BERTUCCI. \$1,000.

Mr. KENNEDY. \$1,000?

Mr. BERTUCCI. Right.

Mr. KENNEDY. Did you have to pay your transportation out of that?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. Who paid for your transportation?

Mr. BERTUCCI. Out of the money.

Mr. KENNEDY. Out of what?

Mr. BERTUCCI. Out of the \$1,000.

Mr. KENNEDY. How did you get down there?

Mr. BERTUCCI. By train.

Mr. KENNEDY. Did you all go together?

Mr. BERTUCCI. No.

Mr. KENNEDY. You went by yourself?

Mr. BERTUCCI. Yes.

Mr. KENNEDY. Did the other individuals all go down together?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. How did they go down?

Mr. BERTUCCI. I don't know.

Mr. KENNEDY. Do you know if they hired a plane?

Mr. BERTUCCI. I don't know.

Mr. KENNEDY. Who paid you the \$1,000 expenses?

Mr. BERTUCCI. My union.

Mr. KENNEDY. 596?

Mr. BERTUCCI. Right.

Mr. KENNEDY. How long were you down there? Was it a 6-day convention?

Mr. BERTUCCI. Pardon me.

(The witness conferred with his counsel.)

Mr. BERTUCCI. About 3 weeks.

Mr. KENNEDY. About 3 weeks?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. What were you doing down there the other 2 weeks?

(The witness conferred with his counsel.)

Mr. BERTUCCI. On convention business.

Mr. KENNEDY. What do you mean convention business? What was the convention business? Did you go down there prior to the convention?

Mr. BERTUCCI. Yes.

Mr. KENNEDY. How long prior to the convention did you go down there?

Mr. BERTUCCI. About 4 days.

Mr. KENNEDY. And how long after the convention did you stay down there?

Mr. BERTUCCI. About four.

Mr. KENNEDY. Did you use any of the money to purchase any material for the campaigns that were going on?

(The witness conferred with his counsel.)

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Who did you support in the campaign? Who did you support in the election?

Mr. BERTUCCI. Pardon me.

(The witness conferred with his counsel.)

Mr. BERTUCCI. Jimmie Hoffa.

Mr. KENNEDY. Did you pay any of that money out in Miami while you were down there?

Did you make any purchases for anything?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. You did not?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. That \$1,000 was just for your own personal expenses?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. Did you use it all?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Did you return some of it?

Mr. BERTUCCI. It will be returned, some of it.

Mr. KENNEDY. How much money?

(The witness conferred with his counsel.)

Mr. BERTUCCI. I don't have the figures yet.

Mr. KENNEDY. You have been back a good deal of time. When are you going to get the figures together?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. When are you going to get the figures together to find out how much you should return?

Mr. BERTUCCI. In another week or so, as soon as we get back and have our meeting.

Mr. KENNEDY. As soon as what?

Mr. BERTUCCI. As soon as we get back to Philadelphia, sir.

Mr. KENNEDY. Then you will figure out how much should be returned?

Mr. BERTUCCI. Right.

Mr. KENNEDY. You don't remember how much you spent down there?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Who made the arrangements that you were going to get \$1,000 for going down there?

(The witness conferred with his counsel.)

Mr. KENNEDY. Who made the arrangements that you were going to get \$1,000?

(The witness conferred with his counsel.)

Mr. BERTUCCI. Sir, I respectfully decline to answer the question on the ground I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. Was that done by Mr. Cohen?

Mr. BERTUCCI. Sir, I respectfully decline to answer the question on the ground I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. I think you have been very helpful to us so far. I wish you would continue to answer the question.

(The witness conferred with his counsel.)

Mr. KENNEDY. What did you say?

Mr. BERTUCCI. Nothing.

Mr. KENNEDY. You said something.

Mr. BERTUCCI. I am talking to him.

Mr. OLIENSIS. I didn't hear it, sir.

Senator CURTIS. What hotel did you stay in?

Mr. BERTUCCI. Sir, I respectfully decline to answer the question on the ground I am not required to give evidence against myself under the fifth amendment.

Mr. OLIENSIS. I hope my actions make clear my position here, sir.

Senator CURTIS. Perhaps the witness is nervous and confused. I can understand it is not an every day occurrence that someone is asked to appear before a congressional committee.

My question was, and all I wanted to know was, just on the name of the hotel. What hotel did you stay at?

Mr. BERTUCCI. Seville.

(At this point, Senator Ervin withdrew from the hearing room.)

Senator CURTIS. You stayed at the same hotel the full time?

Mr. BERTUCCI. Yes.

Senator CURTIS. Who paid the hotel bill?

Mr. BERTUCCI. I did.

Mr. KENNEDY. Now I will move on to Mr. Strauss.

Mr. Strauss, you are business agent?

Mr. STRAUSS. Yes, sir.

Mr. KENNEDY. You have been a business agent and you are also trustee for the union?

Mr. STRAUSS. Yes, sir.

Mr. KENNEDY. How long have you been a business agent?

Mr. STRAUSS. Around September or October of 1954.

Mr. KENNEDY. Who appointed you business agent?

Mr. STRAUSS. I wasn't appointed. I was elected.

Mr. KENNEDY. By whom?

Mr. STRAUSS. By who? The membership that was present at the time.

Mr. KENNEDY. In 1954?

Mr. STRAUSS. I believe so, sir.

Mr. KENNEDY. Who suggested to you that you should run as business agent?

Mr. STRAUSS. Nobody suggested anything to me.

Mr. KENNEDY. What were you doing prior to that time?

Mr. STRAUSS. I will explain how it come about.

Mr. KENNEDY. All right.

Mr. STRAUSS. I was a member of 169 of the Teamsters, and I was working in a munitions plant. In the meantime, I was on vacation. The office was only about a half block away. I used to pass by their office quite often and see all these fellows out there. I happened to know not "Toots" or anybody else, but some members they had.

I said "What is going on here."

(The witness conferred with his counsel.)

Mr. KENNEDY. Summarize it.

Mr. STRAUSS. So while I am on vacation, I went in there, I just stopped in, it was another Teamsters local and I said, "What is going on fellows, are you busy organizing?" and somebody said "Yes." Somebody asked me, "Do you want to organize?" And I said "Certainly, I think I can organize," and they said "O. K., we will put you on as organizer."

So I went out. In about 4 months, I believe, when they had an election, that is when I was elected business agent.

Mr. KENNEDY. Have you always been interested in the working-man?

Mr. STRAUSS. Positively.

Mr. KENNEDY. You are always trying to do some good for him, trying to help him?

Mr. STRAUSS. Positively.

Mr. KENNEDY. How many times have you been arrested?

Mr. OLIENSIS. Sir, with respect to that, I have the defendant's records which I secured from our police department. May I present it to him, so there is no confusion in his answers, with your permission?

Mr. STRAUSS. I am not ashamed of nothing.

(Witness conferred with his counsel.)

Mr. STRAUSS. Approximately seven times, sir, since 1938, I believe it has here.

Mr. KENNEDY. And how many times have you been convicted?

Mr. STRAUSS. I think it is twice, sir. There is some kind of mistake here.

Mr. KENNEDY. Philadelphia, 1938, larceny of an automobile; is that right, with 13 days to 2 years?

Mr. STRAUSS. Yes, sir. That was probation. That is right. You are right, sir. I didn't see that little notation. Three times.

Mr. KENNEDY. Philadelphia, 1938, is that entering to steal and larceny, sentenced to Huntington Reformatory?

Mr. STRAUSS. If it says it, that is it.

Mr. KENNEDY. Then 1941, hold up and robbery at point of gun, conspiracy, 7½ to 15 years at Eastern State Penitentiary, paroled in 1949.

Mr. STRAUSS. Yes, sir.

Mr. KENNEDY. And then Upper Darby, Pa., robbery, is that the same one, 5 to 10 years, concurrent with the rest?

Mr. STRAUSS. A concurrent sentence, sir.

Mr. KENNEDY. They are separate convictions, are they not?

Mr. STRAUSS. I believe so, sir.

Mr. KENNEDY. So that is——

Mr. STRAUSS. It had to be that.

Mr. KENNEDY. Four convictions. Then in 1951 you were arrested but discharged on disorderly conduct, and in 1955 aggravated assault, nolle prossed, is that right?

Mr. STRAUSS. That is right, sir.

Mr. KENNEDY. Those are the only convictions, the four convictions?

Mr. STRAUSS. So far as I know, sir, if the record so shows.

Mr. KENNEDY. You can't remember any others?

Mr. STRAUSS. No, I don't.

Mr. KENNEDY. How much money were you paid when you became interested in trying to organize the employees?

(Witness conferred with his counsel.)

Mr. STRAUSS. I respectfully decline to answer the question on the ground I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. Have you been given any money in addition to the money that came out of local 596? Were you given money out of 107?

Mr. STRAUSS. No, sir.

Mr. KENNEDY. Did you ever receive money from Raymond Cohen?

Mr. STRAUSS. Never.

Mr. KENNEDY. Did you have discussions with Raymond Cohen as to how much money you were to receive from 596?

Mr. STRAUSS. I didn't even know the man then.

Mr. KENNEDY. When did you know him? When did you meet him?

(Witness conferred with his counsel.)

Mr. STRAUSS. About 2-3 years, when he became administrative trustee. I had heard about him, but I didn't know him.

Mr. KENNEDY. When was the union put in trusteeship?

Mr. STRAUSS. About 2 years ago, I believe, sir.

Mr. KENNEDY. For what reason?

Mr. STRAUSS. I do not know.

Mr. KENNEDY. Do you know, Mr. Bertucci?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. You are president of the union and you don't know why it was put in trusteeship?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Do you know why it is in trusteeship at the present time?

Mr. BERTUCCI. No, sir, but we are supposed to have a hearing to come out of trusteeship.

Mr. KENNEDY. Do you know how long it has been in trusteeship?

Mr. BERTUCCI. Approximately 2 years.

Mr. KENNEDY. And you don't know why it was put in trusteeship?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Did you protest about it being put in trusteeship?

Mr. BERTUCCI. Yes, sir.

Mr. KENNEDY. What did they tell you?

Mr. BERTUCCI. We were to have a hearing. We had a hearing, and Raymond Cohen became the administrative trustee for us.

Mr. KENNEDY. What argument did they give as to why you should remain in trusteeship and Mr. Cohen should be administrative trustee?

Mr. BERTUCCI. The meeting never was held.

Mr. KENNEDY. The meeting never was held. So you were never able to find out why you were in trusteeship?

Mr. BERTUCCI. No, sir.

Mr. KENNEDY. Mr. Strauss, did you participate in any vandalism after you became business agent for 596?

Mr. STRAUSS. No, sir.

Mr. KENNEDY. Did you know about the purchase of the paint remover during the Pontiac automobile strike?

Mr. STRAUSS. No, sir.

Mr. KENNEDY. You did not?

Mr. STRAUSS. No, sir.

Mr. KENNEDY. Did you have anything to do with throwing the paint remover on the Pontiac automobiles?

Mr. STRAUSS. No, sir.

Mr. KENNEDY. You didn't have anything to do with the vandalism during that strike?

Mr. STRAUSS. No, sir.

Mr. KENNEDY. Did you participate in the beating of any individual?

Is he under indictment now?

(Witness conferred with his counsel.)

Mr. KENNEDY. You don't remember that?

Mr. STRAUSS. No, sir.

Mr. KENNEDY. You didn't participate in any of the beatings of any of the individuals?

Mr. STRAUSS. Just a minute. I don't understand what you mean by that question?

Mr. KENNEDY. Did you take part?

Mr. STRAUSS. Are you referring what?

Mr. OLIENSIS. Maybe I can clarify it for him, sir.

(Witness conferred with his counsel.)

Mr. STRAUSS. No, sir.

Mr. KENNEDY. You never did? What was the confusion about the question?

Mr. STRAUSS. I was walking down the street and somebody hit me in the head with something. That is why I was wondering.

Mr. KENNEDY. Does that happen often?

Mr. STRAUSS. It don't happen often, I guess.

Mr. KENNEDY. But you never took part in beating anyone up yourself?

Mr. STRAUSS. As far as unionism or anything is concerned, no, sir.

Mr. KENNEDY. You won't tell us about how much money you receive as business agent?

Mr. STRAUSS. I respectfully decline to answer that question on the ground I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. Did you go to Miami?

Mr. STRAUSS. No, sir.

The CHAIRMAN. Are there any further questions?

If not, the committee will stand in recess until 10:30 in the morning.

(Whereupon, at 4:30 p. m., the committee recessed to reconvene at 10:30 a. m., Thursday, May 8, 1958.)

(Members of the committee present at the taking of the recess were Senators McClellan and Curtis.)

INVESTIGATION OF IMPROPER ACTIVITIES IN THE LABOR OR MANAGEMENT FIELD

THURSDAY, MAY 8, 1958

UNITED STATES SENATE,
SELECT COMMITTEE ON IMPROPER ACTIVITIES
IN THE LABOR OR MANAGEMENT FIELD,
Washington, D. C.

The select committee met at 10:30 a. m., pursuant to Senate Resolution 221, agreed to January 29, 1958, in the caucus room, Senate Office Building, Senator John L. McClellan (chairman of the select committee) presiding.

Present: Senators John L. McClellan, Democrat, Arkansas; Irving Ives, Republican, New York; Sam J. Ervin, Jr., Democrat, North Carolina; Karl Mundt, Republican, South Dakota; and Carl T. Curtis, Republican, Nebraska.

Also present: Robert F. Kennedy, chief counsel; Jerome S. Adlerman, assistant chief counsel; John B. Flanagan, investigator; Leo C. Nulty, investigator; Herbert J. Rose, Jr., investigator; Ralph DeCarlo, investigator; Ruth Young Watt, chief clerk.

The CHAIRMAN. The committee will come to order.

(At the convening of the session, the following members were present: Senators McClellan and Ives.)

The CHAIRMAN. Mr. Counsel, call the first witness.

Mr. KENNEDY. Mr. Earle Machold, Mr. Chairman.

The CHAIRMAN. You do solemnly swear the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MACHOLD. I do.

TESTIMONY OF EARLE J. MACHOLD, ACCOMPANIED BY HIS COUNSEL, HARRY G. SLATER

The CHAIRMAN. State your name, your place of residence, and your business or occupation, please, sir.

Mr. MACHOLD. My name is Earl J. Machold. I am president of the Niagara Mohawk Power Corp., with offices at 300 Erie Boulevard West, Syracuse N. Y. I reside at 306 Linden Terrace, Syracuse, N. Y.

The CHAIRMAN. You have counsel?

Mr. SLATER. My name is Harry G. Slater, counsel for Niagara Mohawk Power Corp. My address is 300 Erie Boulevard West, Syracuse, N. Y.

Mr. KENNEDY. Mr. Machold, how many employees do you have?

Mr. MACHOLD. About 9,400.

Mr. KENNEDY. How many of those are members of organized labor?

Mr. MACHOLD. All of the production workers and office workers are members of IBEW.

Mr. KENNEDY. That is what, about 9,000 or so?

Mr. MACHOLD. I would think about 9,000.

Mr. KENNEDY. How long have you been president of the company?

Mr. MACHOLD. I have been president of Niagara Mohawk Powder Corp. since its organization in 1950. Prior to that I was the president of the holding company, out of which that evolved, since September 1942.

Mr. KENNEDY. Mr. Machold, are you familiar with the magazine called the New York Federationist?

Mr. MACHOLD. I am.

Mr. KENNEDY. Did your company make any contributions or take any ads in that magazine?

Mr. MACHOLD. They did.

Mr. KENNEDY. With whom was your contact with the New York Federationist?

Mr. MACHOLD. My contact was with a gentleman by the name of George Mason.

Mr. KENNEDY. He stated to you that his name was George Mason?

Mr. MACHOLD. Yes, sir.

Mr. KENNEDY. When did you start taking ads with the New York Federationist after your discussions with him?

Mr. MACHOLD. I think the first ad that we took was in 1949.

Mr. KENNEDY. How much money did you pay at that time?

Mr. MACHOLD. My recollection is \$1,500.

Mr. KENNEDY. That was for an ad, a back page ad, was it?

Mr. MACHOLD. I think that is correct.

Mr. KENNEDY. That is one of their best ads, as I understand it. Then in 1951 did you take another ad?

Mr. MACHOLD. I think we took one in 1950.

Mr. KENNEDY. 1949 was for \$1,500; 1950 was for how much?—1950 for how much?

Mr. MACHOLD. \$1,500.

Mr. KENNEDY. And 1951?

Mr. MACHOLD. \$5,000.

Mr. KENNEDY. And 1952?

Mr. MACHOLD. \$7,500.

Mr. KENNEDY. And 1953?

Mr. MACHOLD. \$7,500.

Mr. KENNEDY. And 1954?

Mr. MACHOLD. \$10,000; \$20,000; I am sorry.

Mr. KENNEDY. \$20,000, in 1954?

Mr. MACHOLD. That is right.

Mr. KENNEDY. 1955?

Mr. MACHOLD. \$20,000.

Mr. KENNEDY. 1956?

Mr. MACHOLD. \$20,000.

Mr. KENNEDY. 1957?

Mr. MACHOLD. \$10,000.

Mr. KENNEDY. That makes a total of——

Mr. MACHOLD. \$93,000.

Mr. KENNEDY. Mr. Machold, from the figures that you gave us, you made a contribution or you took an ad in 1951 for \$5,000, and one of the best ads that you could possibly get, would be \$1,500. Why did you make a contribution of so much in that year?

Mr. MACHOLD. Well, as this thing progressed, it was represented to me that the cost of this publication was going up, that it was increasing, and that a larger distribution was being made. I suppose I was influenced all the time by the fact that we do have 9,000 employees who are members of a union which is affiliated with the A. F. of L. and the New York State Federation of Labor. It was also represented to us that this publication was put into the hands of every union officer in the locals, not only in our own organization but in the whole State of New York. Then I think I would have to be fair to say that as the question of the development of Niagara Falls evolved during this period, this magazine did publicize the traditional position of the New York State Federation of Labor and the IBEW in connection with public and private power, which was, of course, in favor of private power.

Mr. KENNEDY. Did you know what the circulation of the magazine was?

Mr. MACHOLD. I never knew exactly what the circulation of the magazine was, sir. I had no way of knowing. I don't know that I ever inquired. But I had assumed that the circulation was between 25,000 and 30,000 copies.

Mr. KENNEDY. Actually, the circulation was only about 2,500 to 3,000.

Mr. MACHOLD. I didn't know that, sir.

Mr. KENNEDY. Did you ever ask?

Mr. MACHOLD. I can't say that I did, but I was under the impression that the circulation was around 25,000 or 30,000 copies.

Mr. KENNEDY. Did you know that this private company, this company that was run by Mr. Lapensohn, was to receive 75 percent of this money?

Mr. MACHOLD. No, sir.

Mr. KENNEDY. Did you think it was all going to the New York Federation of Labor?

Mr. MACHOLD. That it was going to the New York State Federation of Labor.

Mr. KENNEDY. What could possibly induce you, Mr. Machold, to pay as much as \$20,000 in the years 1954, 1955, and 1956?

Mr. MACHOLD. There was both the question of increase in costs in representations made to me about the program for the increased circulation of the publication. Also, that all advertisers were being asked to pay more during that period, and that they had been successful in getting them to pay more.

Senator IVES. I would like to interrupt there, Mr. Counsel.

Mr. Machold, did you ever receive from the late Mr. Thomas A. Murray any letter in connection with this at all?

Mr. MACHOLD. I received letters with Mr. Murray's signature on them. I have been led to believe since this investigation started maybe there was some question—

Senator IVES. That is what I meant. You assumed the letter was a correct letter?

Mr. MACHOLD. I assumed the authenticity of the signatures.

Senator IVES. Thank you.

Mr. KENNEDY. Did you charge this to your advertising account?

Mr. MACHOLD. Yes.

Mr. KENNEDY. It was out of your regular advertising account?

Mr. MACHOLD. Well, I think it is a subaccount under our advertising account. I believe it is general administrative expenses.

Mr. KENNEDY. But actually it wasn't taken out of your advertising account, was it, the \$93,000?

Mr. MACHOLD. I don't think so. I think it was charged to general administrative expenses.

I will see if we have the details of that.

Mr. KENNEDY. Why wouldn't you charge it to the advertising account? Why would you take it out of the special account?

Mr. MACHOLD. Our accounts are kept under the classification of accounts described by the public utilities commission of the State of New York, and advertising charged to the account "Advertising" involves only expenses incurred in connection with advertising for the sole purpose of promoting the sale of electricity, the only other place proper to charge it under the classification of accounts prescribed by the public service commission is miscellaneous general expenses.

Mr. KENNEDY. Was this an expense that you could deduct, this \$93,000, as far as income taxes?

Mr. MACHOLD. It is an operating expense, yes, sir.

Mr. KENNEDY. The thing that puzzles me is that if you were going to get an ad at that period of time, even the best ad would be \$1,500, and here you spent this \$20,000. That is what disturbs me.

Mr. MACHOLD. Well, I did it upon the basis of the representations made to me as to the cost of this publication and the efforts that were going to be made to increase its circulation and distribution.

Mr. KENNEDY. But you never even asked what the circulation was.

Mr. MACHOLD. I don't recall that I did specifically. I assumed that it was 25,000 or 30,000 copies.

Mr. KENNEDY. Was it because you felt that this would be tied up, this money could be used for the fight against public power in New York?

Mr. MACHOLD. It wasn't only that.

Mr. KENNEDY. Was that one of the factors?

Mr. MACHOLD. Only that to publicize the traditional policy of this organization in connection with the public power issue.

Mr. KENNEDY. Was that one of the factors—in answer to my question, was that one of the factors that induced you to pay as much as \$20,000?

Mr. MACHOLD. Yes, I think it is fair to say it was.

Senator IVES. On that, I would like to interpose a question. You did not pay that \$20,000 with the idea that you would get the Federation of Labor to support private power, did you?

Mr. MACHOLD. Absolutely not.

Senator IVES. I think that is a point that ought to be brought out here.

Mr. MACHOLD. That was the traditional policy.

Senator IVES. I was a member of the legislature from February 24, 1930, through 1946, and my recollection is that a good share of that time, if not all of it, the Federation of Labor was opposed to public

power. They did not want to work for the Government. They wanted to be in a position where they could have collective bargaining, and they can't have collective bargaining working for the Government.

Mr. MACHOLD. As I understand, that has been their policy for as long as I know.

Senator IVES. It is my recollection, too.

Mr. MACHOLD. I think I should add, I don't think anybody ever had any reason to question the integrity of the New York State Federation of Labor in New York State.

Senator IVES. I never questioned the integrity of the New York Federation of Labor.

As far as I know, they have always been on the level. They may have a few scamps among them, but I have never found them.

Mr. KENNEDY. You received a letter from this man Lion, on February 28, 1952. He acknowledged the receipt of \$7,500 at that time, and he stated to you, "You can be sure this money will be put to good use." What did you think he meant by that?

Mr. MACHOLD. I haven't any idea what they meant by that. As a matter of fact, I don't recall the letter at the moment. He certainly never made any representations to me, and I had no reason to believe, and didn't believe, that he could influence the policy of the New York State Federation of Labor in any way.

The CHAIRMAN. The Chair hands you what purports to be a copy of the letter of February 28, 1952, addressed to you as president of the Power Corp., and which bears the typewritten signature of D. M. Lion, director of publicity. I will ask you to examine that copy and state if you identify it as a copy of the original you received, or if you received the original.

(The document was handed to the witness.)

(The witness conferred with counsel.)

Mr. MACHOLD. I don't recall that, but I have no reason to doubt that I received it.

The CHAIRMAN. You have no reason to doubt that you received that?

Mr. MACHOLD. No.

The CHAIRMAN. That copy may be made exhibit No. 52.

(The document referred to was marked "Exhibit No. 52" for reference and will be found in the appendix on p. 11179.)

Mr. KENNEDY. This is another letter, Mr. Chairman, dated February 5, 1953, to Mr. Machold. It states:

DEAR MR. MACHOLD: I wish to extend sincere thanks for the contract for the outside back cover and advertisement to appear in the 1953 edition of the New York Federationist. We will do all in our power toward fighting the proposed legislation as discussed with you.

The CHAIRMAN. I hand you a copy of a letter, to which counsel has just referred. I ask you to examine it and state if you received the original of that letter.

(The document was handed to the witness.)

Mr. MACHOLD. Yes, I have no doubt that I received that letter.

The CHAIRMAN. That may be made exhibit No. 52-A.

(The document referred to was marked "Exhibit No. 52-A" for reference and will be found in the appendix on p. 11180.)

Mr. KENNEDY. Mr. Chairman, for the benefit of the witness and the committee, Mr. Lapensohn and his colleague stole most of this money. Actually, \$60,000 of the \$93,000 went into their special bank account. In summary, tracing these funds, we find that of the \$93,000, Lapensohn received \$84,750 and the State Federation of Labor received \$8,250.

Mr. MACHOLD. That is as much of a surprise to me as it must have been to the officials of the State Federation of Labor.

Mr. KENNEDY. Mr. Machold, was this to assist the New York Federation of Labor in their fight against public power that you paid this money?

Mr. MACHOLD. Well, I think I was influenced by the traditional position that they also had taken, which was publicized during this whole period, sir. In our relationships with our employees, they were very much interested in this public-private power argument in Niagara Falls, and, may I add, not at our instigation.

Mr. KENNEDY. Was it to help the New York Federation of Labor to finance their fight against public power than you paid this sum?

Mr. MACHOLD. I assume through the dissemination of information as to their position, of their position, in the publication of this magazine—

Mr. KENNEDY. It went beyond the publication, did it not, because you never even inquired what the circulation of the publication was. It must have been that you felt that the money was going to be used in other ways. Isn't that correct? You didn't pay the money just for this magazine.

Mr. MACHOLD. I was influenced by their position and their activity in the Niagara situation; yes, sir.

Mr. KENNEDY. Was this to help the New York Federation of Labor to finance the fight against public power in New York?

That is correct, is it not?

Mr. MACHOLD. I would say so, yes. In this magazine, any sums paid to this magazine, I assume went to the New York Federation of Labor.

Senator IVES. Mr. Machold, was this contribution made with the idea on that, that you would get the Federation of Labor to change their position in any way, shape, or manner?

Mr. MACHOLD. No, sir; their position was well known for many years.

Senator IVES. In other words, was this contribution made because the New York Federation of Labor was threatening to change its position, and you didn't want them to; you were persuading them not to?

Mr. MACHOLD. No, sir.

Senator IVES. The reason I raised that point is because I never knew that the Federation of Labor contemplated any such change.

Mr. MACHOLD. Not to my knowledge.

Senator IVES. Certainly before you ever advertised in that magazine, their position on public power was well established for years before that.

Mr. MACHOLD. Yes, sir.

Senator IVES. All right.

The CHAIRMAN. Do I understand that the regular price of the best ad that they had for sale was \$1,500?

Mr. MACHOLD. I don't know, sir, that there was any established schedule of prices for advertising in this publication.

The CHAIRMAN. You had purchased the back cover for \$1,500 the first year; is that correct?

Mr. MACHOLD. Yes, sir.

The CHAIRMAN. And for the second year, the same?

Mr. MACHOLD. Yes, sir.

The CHAIRMAN. Then the third year you went up to \$5,000.

Mr. MACHOLD. That is correct.

The CHAIRMAN. That is quite an increase, is it not, in cost of advertising in that period of time?

Mr. MACHOLD. Yes, sir.

The CHAIRMAN. And then the increase went up again the next year to \$7,500.

Mr. MACHOLD. Yes, sir.

The CHAIRMAN. The second year after that up to \$20,000.

Mr. MACHOLD. Yes, sir.

The CHAIRMAN. You are a businessman. You did not regard all of that as paying for an ad; did you?

Mr. MACHOLD. I regarded half of it as being represented to me as their efforts or their program for the increased distribution of this publication, as it was represented to me. I certainly had no reason to believe that—

The CHAIRMAN. Business people just don't throw away money that way. You thought you were getting something for the additional amount you were paying; didn't you?

Mr. MACHOLD. I thought we were getting goodwill; yes, sir.

The CHAIRMAN. You were buying goodwill. That is a part of it. You were buying goodwill. Would that include keeping the union from making demands upon you with respect to working conditions?

Mr. MACHOLD. No, sir.

The CHAIRMAN. And wages and so forth?

Mr. MACHOLD. No, sir.

The CHAIRMAN. What kind of goodwill were you buying?

Mr. MACHOLD. Among our employees who were already—

The CHAIRMAN. Wouldn't you get just as much good will out of them, out of the \$1,500, if that was the regular price of the ad, as you would if you paid \$15,000, \$20,000, or more? You would get the ad and they would see the same ad.

Mr. MACHOLD. In retrospect, perhaps we would; yes, sir.

The CHAIRMAN. In retrospect, you think that is correct?

Mr. MACHOLD. Yes, sir.

The CHAIRMAN. Here is what I am concerned about. It looks to me like this is a racket. Whether you businessmen who are businessmen, who know how to run a big corporation, whether you are the victims, or whether you feel out of fear or some other reason you have to contribute to these things, and make these tremendous donations, or whether you do it for some other reason, I just cannot understand. Business people don't throw away money. Have you given the only reason that you can think of why you were so extravagant in the use of that money?

Mr. MACHOLD. I think I have, sir, and I must say that I think everybody that advertises in this publication are deeply indebted to this committee and its staff for having revealed the situation.

The CHAIRMAN. Thank you very much. We are trying to find these things that are going on, that should not be going on in this country, to determine whether we need legislation to stop them. I appreciate your cooperation in coming here frankly and saying "Yes, this is what we did."

I think you have cooperated with the committee in its effort to disclose these facts, to bring out this situation. But to me it is some kind of a bad racket that ought to be corrected. I hope after we get these facts before us we can find some procedure, some remedy, that will stop those acts. Thank you very much.

Mr. KENNEDY. I think possibly we saved your company \$10,000, did we not, indirectly, Mr. Machold, another \$10,000?

Mr. MACHOLD. Well, I doubt that, Mr. Kennedy.

Mr. KENNEDY. Wasn't Mr. Lapensohn supposed to come back? Didn't he have an appointment to come back in July of 1957 to pick up another \$10,000?

Mr. MACHOLD. He said he was coming back at some point; yes, sir.

Mr. KENNEDY. And we started our investigation and he left the country prior to making the second trip back there.

The CHAIRMAN. I suggest you donate that to the Red Cross.

Mr. MACHOLD. I can assure you that business people will not make this same mistake again, or at least I will not.

The CHAIRMAN. Thank you.

Mr. KENNEDY. The figures break down that 9 cents of that money went to the union and 91 cents went to Mr. Lapensohn.

The CHAIRMAN. Nine cents out of each dollar went to the union and 91 cents went to Mr. Lapensohn?

Mr. KENNEDY. Yes.

The CHAIRMAN. I think he can afford to take a long, extended trip.

Mr. MACHOLD. I want to thank the committee and their staff for letting me testify this morning rather than yesterday as originally planned. I appreciate.

The CHAIRMAN. All right.

Call the next witness.

Mr. KENNEDY. Mr. Chairman, we are now going into a different matter. There was some discussion in the hearings the first week of the situation involving the Food Fair Co. and the Trailer drops that occurred in Philadelphia, Pa. I would like to call now some witnesses who will testify on that matter. The first witnesses will be Mr. Blayney Barton and Mr. Paul Cupp. They will have their assistants.

The CHAIRMAN. Gentlemen, be sworn. Do you and each of you solemnly swear the evidence you shall give before this Senate committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BARTON. I do.

Mr. CUPP. I do.

TESTIMONY OF BLAYNEY BARTON AND PAUL CUPP

The CHAIRMAN. Beginning on my left, will you state your name, your place of residence, and your occupation?

Mr. CUPP. I am Paul J. Cupp. I live in Bryn Mawr, Pa. I am president of the American Stores Co., headquarters at 124 North 15th Street, Philadelphia.

The CHAIRMAN. Thank you. On my right?

Mr. BARTON. My name is Blayney J. Barton. I live in Drexel Hill, Pa. I am vice president of the American Stores Co. at the same address, 124 North 15th Street, Philadelphia, Pa.

The CHAIRMAN. And the gentleman in behind there?

Mr. McINTYRE. I am Robert J. McIntyre. I live in Overbrook Hills, Pa. I am an assistant to Mr. Barton at the American Stores, the same address, 124 North 15th Street.

The CHAIRMAN. If you care, you may move a chair around to the table.

Gentlemen, do you waive counsel?

Mr. BARTON. Yes.

Mr. CUPP. Yes, sir.

Mr. McINTYRE. Yes, sir.

Mr. KENNEDY. Mr. Cupp, could you tell us a little about the American Stores as to their size, the areas in which they operate?

Mr. CUPP. American Stores operates in the Middle Atlantic States. They are presently operating 844 retail units, with 7 distribution centers, some processing plants. It has more than 25,000 employees.

The CHAIRMAN. How many?

Mr. CUPP. More than 25,000.

Mr. KENNEDY. How does American Stores compare to some of the other big chain grocery stores in the country?

Mr. CUPP. It is fourth in size among the large chains.

The CHAIRMAN. Is that a grocery chain?

Mr. CUPP. A food chain, yes, sir.

Mr. KENNEDY. You have a contract and most of your employees or a high percentage of your employees are members of unions?

Mr. CUPP. They are.

Mr. KENNEDY. Specifically in the Philadelphia area you have some employees who are members of the Teamsters Union, is that right?

Mr. CUPP. We have.

Mr. KENNEDY. Local 107?

Mr. CUPP. That is right.

Mr. KENNEDY. Would you tell us the situation that led up to the negotiations in the fall of 1954, first as to who you had representing you in those negotiations, what some of the issues were, and perhaps Mr. Barton can assist you, as I understand he actually participated in the negotiations.

Mr. CUPP. At that time, we were members of the Pennsylvania Motor Truck Association, which was bargaining—

Mr. KENNEDY. That is MTLR?

Mr. CUPP. Yes.

Mr. KENNEDY. We will refer to it as the MTLR.

Mr. CUPP. They looked after our interests in negotiations, as it did for other companies. MLTR representing us in negotiations.

Mr. KENNEDY. They represented just you, or did they represent others?

Mr. CUPP. They represented the industry.

Mr. KENNEDY. And did they also represent other industry groups in Philadelphia?

Mr. CUPP. Yes. They represented the trucking industry generally. Usually the master contract was negotiated first, subsequent to which the food industry was represented for its specific needs.

Mr. KENNEDY. That would be the whole of the food industry, and the big chainstores, is that correct?

Mr. CUPP. Yes, that is right.

Mr. KENNEDY. How many of you were there, approximately?

Mr. CUPP. I think Mr. Barton had better answer that question.

Mr. KENNEDY. Was it 10 or 12?

Mr. BARTON. It is my recollection there were about six.

Mr. KENNEDY. About six of you. You had a contract with the MTLR, did you? Did the chainstores?

Mr. BARTON. We had a specific power of attorney by which we authorized the Motor Transport Labor Relations to negotiate for us.

Mr. KENNEDY. Were they to do all of the negotiating or were you able or allowed under the contract to do some of the personal contacting with the union yourselves?

Mr. BARTON. No. As is characteristic of some large association contractor relationships, the work with the union is performed by the association officers. If a company such as our type would have a problem to discuss with the union, we would not go directly to the union for procedural reasons. We would go to our representative, Motor Transport Labor Relations, and after explaining our problem, expect them to discuss it with union officials.

Mr. KENNEDY. In other words, not only with grievances, but in the negotiating of the contract, you would not feel free to go to the union officials yourselves and attempt to negotiate a point in the contract?

Mr. BARTON. That is correct.

Mr. KENNEDY. You were not permitted to make a personal approach yourselves; is that right?

Mr. BARTON. That is correct. It is my understanding that either the articles of association or the bylaws, or some written provision of the Motor Transport Labor Relations organization provided specifically that all approaches to the union should be through this organization. That is characteristic of this problem in other areas of the country.

Mr. KENNEDY. Specifically in 1954, after Mr. Raymond Cohen took over as secretary-treasurer of local 107, there were some negotiations conducted, were there not, with that union in connection with the contract? That is, the contract with the chainstores?

Mr. BARTON. That is correct; yes.

Mr. KENNEDY. Was there anything that you wanted to clarify?

Mr. BARTON. No; I was just going to say that I think it was a wage reopener, that the contract had not expired. It is my recollection that as these new officers came to position, they negotiated with Motor Transport Labor Relations people under this wage reopening provision.

Mr. KENNEDY. We were and have been specifically interested in the situation regarding trailer drops. We have had some discussions before the committee on that matter. Was that a question that arose during the negotiations in 1954, in the fall of 1954?

Mr. BARTON. Yes; that is correct.

Mr. KENNEDY. Could you explain to the committee, either Mr. Cupp or Mr. Barton, what a trailer drop is, what it means to a company, a chainstore? Either one of you may answer it.

Mr. CUPP. A trailer drop involves the use of semitrailers, the loaded trailer being left at the destination point, at the market, the tractor

being moved on to pick up an empty or return to base, with the trailer being unloaded at the convenience of the store management.

The CHAIRMAN. That is something like a freight car being switched off and onto a side track the purpose being to unload and the engine moves on and goes on about other business?

Mr. CUPP. That is an exact parallel; yes, sir.

The CHAIRMAN. And you just drop the car or the trailer that is on the truck, and then the merchandise is unloaded at the convenience of the business.

Mr. CUPP. It is a much more economical way of handling merchandise; that is correct.

The CHAIRMAN. It is a much more economical way. So if you get a trailer dropped, you get some advantage; is that correct?

Mr. CUPP. It is a lesser cost; that is correct.

The CHAIRMAN. Proceed, Mr. Counsel.

I wanted to get it clear.

Mr. KENNEDY. What would be the results if you did not get a trailer drop? What would have to happen?

Mr. CUPP. The result is that costs increase by virtue of—well, there are 2 or 3 things that happen. In the first place, the driver is not moving equipment. Your investment is at a standstill.

Mr. KENNEDY. When you don't get a trailer dropped, the driver stays with the trailer?

Mr. CUPP. The driver stays there to unload, and it does involve the development of a great deal more overtime. It also increases the problem at the store for the fact that the manager does not have the same flexibility in scheduling his work for his staff. So costs rise on both counts. It is a reason that all operators are very desirous of having trailer drops in large stores where they can be economically used.

Mr. KENNEDY. What do you feel to be the economic advantage in having a trailer drop?

Mr. CUPP. We feel that the savings in dollars per trailer drop, all the factors included, are in the range of \$18 to \$25 per drop. In a large operation, that runs into very considerable money over a period of time.

The CHAIRMAN. Do you mean that is the saving to whom?

Mr. CUPP. A saving to the operator, to the company.

The CHAIRMAN. Which company?

Mr. CUPP. Well, it would be to our company.

The CHAIRMAN. Do you own the trailers?

Mr. CUPP. Yes; we own and operate all of our own equipment.

The CHAIRMAN. You are talking about trailer drops of your own trailers?

Mr. CUPP. That is correct.

The CHAIRMAN. And if you can arrange with the union to drop the trailers, that gives you that much advantage or that much savings?

Mr. CUPP. That is right; conversely, if we are not permitted to drop them, it puts that much penalty on us.

The CHAIRMAN. It puts that much penalty on you?

Mr. CUPP. That is right.

Mr. KENNEDY. Would you tell us what the conditions were, the situation in 1954, regarding the negotiations on the trailer drops?

Were you anxious to obtain trailer drops during those negotiations that took place in 1954?

Mr. BARTON. Yes; I was a new man with the company at that time, and working with operating people had learned that it was characteristic in the industry for some employers to have trailer drops. We checked through Motor Transport Labor Relations and found out through these officials that a number of representative firms in the Philadelphia area had trailer drops.

For instance, a competitor of ours—there were 3 or 4 competitors of ours which had trailer drops. We petitioned or requested our counsel at Motor Transport Labor Relations, and our representatives there, to attempt to set trailer drops on the negotiating agenda, at which time, when negotiations would permit, it would be discussed with the union.

Mr. KENNEDY. Let's get the names of those individuals from MTLR, who were representing you, the counsel and the names of the other officers.

Mr. BARTON. The gentleman, our counsel there, was Mr. Bernard Siegel. Mr. Bernard Siegel represented the Motor Transport Labor Relations as counsel, and also was an able representative, so far as representing a competitor of ours, one which had trailer drops.

Mr. Clark was the president of Motor Transport Labor Relations. Mr. Ganon, Hugh Ganon, was another officer, and Mr. Jack Mathews was secretary-treasurer, or secretary.

In meetings with these gentlemen, either individually or jointly, we brought to their attention to request that it was a very important item for our company to receive the trailer drop advantage if it could be negotiated, and we pressed them at some length to put this on their negotiating agenda.

Mr. KENNEDY. What was the situation as far as your company at that time was concerned in connection with trailer drops? Had you always been a great user of trailer drops, or had that been a relatively new matter for your company after the war?

Mr. CUPP. In 1951 we moved in with a modern distribution center in West Philadelphia, and began to convert from small trucks to tractor-trailers, and we were also increasing the number of large stores to which it is feasible to make trailer drops. So at the time of these negotiations, we had very few trailer drops, but could have used a great many. So it was an important thing to us in negotiations to develop some equality within the industry. That is what we put up to the men of MTLR.

Mr. KENNEDY. You had a potential for a great many; is that correct?

Mr. CUPP. That is correct.

Mr. KENNEDY. You could have used them if they had been made available to you at that time?

Mr. CUPP. That is right.

Mr. KENNEDY. You felt that this was a very important economic matter to your company?

Mr. CUPP. It was, indeed.

Mr. KENNEDY. So you asked that this question be raised and put on the agenda for the negotiations in 1954?

Mr. CUPP. That is right.

Mr. KENNEDY. The negotiations occurred, and those negotiations were carried on by Mr. Ganon, Mr. Clark, and the counsel, Mr. Siegel, with the representatives of the union; is that right, with the representatives of local 107?

Mr. BARTON. That is correct.

Mr. KENNEDY. You people representing the food companies did not actually participate in the negotiations?

Mr. BARTON. That is correct. Motor Transport Labor Relations had this 4-man negotiating group, and then there was a secondary body, I think composed of members of the board of directors, and as members of the board of directors we would keep close liaison with this 4-man negotiating group who met and conversed and talked and presented the effect of the various problems on the agenda. So none of us on this secondary group were a part of actual negotiations.

Mr. KENNEDY. You would be in a different room, actually; is that right?

Mr. BARTON. That is correct, generally. Occasionally they would caucus with us.

Mr. KENNEDY. You were there for consultation?

Mr. BARTON. That is right. They would come to us and caucus with us, and so on.

Mr. KENNEDY. As the union had failed to give in on this question—and I am moving along now to later in the negotiations—as the union had failed to give in on this matter of trailer drops and other matters, was it discussed among your group that you would risk a strike rather than to give in to the union on these matters?

Mr. BARTON. Yes; there was a conversation of that nature.

Mr. KENNEDY. Had you pretty well agreed at that time that if you could get all of the foodstores to hold fast, that you would take a strike?

Mr. BARTON. That was the point of discussion; yes. If there could be a permanent link or permanent chain established among the representative food groups, then a strike would be taken.

Mr. KENNEDY. Did you find during this time, and I am talking about probably the beginning of December 1954, that there was any weakness in any particular company as far as standing up to the union?

Mr. BARTON. Well, I will answer that in a general way. There was a weakness among 2 or 3 companies. For instance, a meeting was held at the food distributors' association to find out the respective positions that companies would take. The Best Markets people indicated that they could not take a work stoppage.

Mr. KENNEDY. Is that a relatively small company, the Best Markets?

Mr. BARTON. Yes. The Food Fair people indicated that they felt it would be unwise to take a work stoppage, and the Penn Fruit people said that if Food Fair would not take a stoppage, then neither would they. That ties in also with another conversation when it was ascertained that A. & P. apparently could not make up their mind one way or another, and Food Fair indicated that if A. & P. could not take a strong stand, neither could they.

Mr. KENNEDY. So you evidently found weaknesses in several companies; is that right?

Mr. BARTON. That is right.

Mr. KENNEDY. Following these discussions, was there then an agreement reached regarding trailer drops?

Mr. BARTON. As negotiations continued, we were hopeful of getting a substantial concession so far as trailer drops were concerned. Naturally, as you would expect in negotiations, one figure would be discussed and then another figure.

Finally, as the negotiations drew to a close, the 4-man negotiating group reported back to us that they had not been as successful as they had hoped for in providing drops for us, but that a concession had been made by the union in the amount that we would start off with 50 trailer drops.

Mr. KENNEDY. Mr. Barton, can you fill in on this?

Mr. CUPP. I would like to make clear that we never had any objective except to get the same operating conditions that our competitors had. We have never endeavored to work out a competitive advantage. We simply wanted the same pattern or freedom in dropping trailers as did our competitors. That was our only objective.

Mr. KENNEDY. Did you receive that in this negotiation?

Mr. CUPP. We did not receive it, as it turned out.

Mr. KENNEDY. As a matter of fact, were you put at a distinct competitive advantage?

Mr. CUPP. We were.

Mr. KENNEDY. Could you tell the committee what the company, the Food Fair Co. received, and what you received? I will go into the other companies.

Mr. CUPP. Our understanding is that all of our competitors who had trailer drops continued on a basis not less than they were enjoying, and we were severely restricted to the number that we were permitted.

Mr. KENNEDY. The statement on that says Food Fair, Penn Fruit, Best Markets, William Montgomery may continue the system of dropping bodies, which are the trailer drops, without men to cover, but Food Fair is to add 20 helpers, and Penn Fruit, Best Markets, and William Montgomery, to add helpers in proportion to Food Fair's 20, based on a reasonable formula—for example, volume in 107's jurisdiction—to be agreed upon by Mr. McBride, attorney for the union, and Mr. Siegel for the association.

American Stores and A. & P. may drop up to 50 bodies per week without men to cover, with no requirement to add helpers.

How many drops would that give a store such as Food Fair at that time?

Mr. CUPP. We understood through MTLR that it was two hundred and eighty some.

(At this point, Senator Curtis entered the hearing room.)

Mr. KENNEDY. As I understand it, the next company, Penn Fruit, which was also to have unlimited trailer drops, did not have a contract with 107, but with a different union; is that right.

Mr. CUPP. That is right.

Mr. KENNEDY. So that was no disadvantage for Raymond Cohen?

Mr. CUPP. That is right.

Mr. KENNEDY. And Best Markets and William Montgomery were relatively small companies and not in the same category as Food Fair, American Stores, A. & P., and Penn Fruit; is that correct?

Mr. CUPP. Yes.

Mr. KENNEDY. They were not in a comparative field as to size?

Mr. CUPP. That is right.

Mr. KENNEDY. Your company and A. & P. only received up to 50 trailer drops, while Food Fair and these other companies received unlimited trailer drops; is that right?

Mr. CUPP. That is our understanding. We know we were limited to 50.

Mr. KENNEDY. Was that a great competitive disadvantage for you?

Mr. CUPP. We could have used, according to the operating people, within the life of this contract negotiated at the end of 1954, in the range of 275 to 300 a week. By simple arithmetic, on the basis of the savings per drop over the life of that contract, it would involve some \$300,000 to \$400,000 to our company.

Mr. KENNEDY. You didn't have at that particular time this many trailer drops; did you?

Mr. CUPP. No; not at this time.

Mr. KENNEDY. You mean this was the potential, that if you were allowed unlimited trailer drops this is what you could have gone into within a reasonable period of time?

Mr. CUPP. That is correct.

(At this point, Senator Ives left the hearing room.)

Mr. KENNEDY. You feel that the competitive disadvantage was \$300,000 to \$400,000? Is that the figure you used for over this period of time?

Mr. CUPP. That is correct.

Mr. KENNEDY. That is the advantage that these other companies had over your company in this?

Mr. CUPP. That is correct.

The CHAIRMAN. Counsel has been interrogating you, apparently, from a copy of the contract. I do not know whether this has been made an exhibit yet or not.

I hand you this document from which counsel has been reading, and I ask you to examine it and state if you identify it as a copy of the contract negotiated in 1954, about which you have been testifying?

(A document was handed to the witness.)

Mr. BARTON. This is a memorandum of agreement drawn up between the Motor Transport Labor Relations Association group and union local 107.

The CHAIRMAN. Is that what constituted the contract that was negotiated?

Mr. BARTON. It would be the basis for the contract to be written therefrom.

Mr. KENNEDY. No contracts were ever written; were they?

Mr. BARTON. Not so far as we know.

The CHAIRMAN. In other words, that is the only agreement that was actually made?

Mr. BARTON. So far as we know.

The CHAIRMAN. That is what you have been testifying about?

Mr. BARTON. This is what we are familiar with, yes.

The CHAIRMAN. That may be made exhibit No. 53.

(Document referred to was marked "Exhibit No. 53," for reference and may be found in the files of the select committee.)

The CHAIRMAN. Exhibit 53 is for reference.

Mr. KENNEDY. Was it agreed during these negotiations that the union would sympathetically consider giving you an extra 25 trailer drops after a period of 6 months?

Mr. BARTON. We were told by Motor Transport Labor Relations people that they would sympathetically meet with us and review the possibilities of receiving 50 trailer drops. What was negotiated, I emphasize, I do not know. This is what was told to us by Motor Transport Labor Relations.

Mr. KENNEDY. After the 6-month period, did you in fact receive the extra trailer drops?

Mr. BARTON. No.

Mr. KENNEDY. So, actually, it was not until 1956, was it, that you received another 25 trailer drops?

Mr. BARTON. That is correct.

Mr. KENNEDY. So during this period of time, Food Fair was able to have these unlimited trailer drops, or continue their procedure, while you were still limited to that number?

Mr. BARTON. Food Fair, Penn Fruit, and the other groups that had unlimited opportunities.

Mr. KENNEDY. And you and A. & P. were kept down to a limited number, were you, to 50?

Mr. BARTON. Well, we were.

The CHAIRMAN. Did you know that at the time that the contract was finally negotiated, that you were giving up being discriminated against in this arrangement?

Mr. BARTON. Yes, sir. That was explained to us by Motor Transport Labor Relations people, that they had attempted to negotiate a more liberal number, but for reasons, which were apparently good to themselves, it was felt that that was the maximum that could be secured. It was suggested to us that we had now broken the ice, and now that we had broken this roadblock we could look forward to future negotiations when an additional occasion could be negotiated for us.

The CHAIRMAN. Did you realize at the time of this discussion that you are referring to, that some of your competitors had been given a decided advantage in the economic benefits of this contract?

Mr. CUPP. Yes; we knew it, of course.

The CHAIRMAN. You knew it?

Mr. CUPP. Sure.

The CHAIRMAN. But you were helpless to do anything about it?

Mr. CUPP. That is right.

The CHAIRMAN. What I am trying to understand is why would there be justification in negotiating with a labor union—you are all negotiating with the same union; is that correct?

Mr. CUPP. Through MTLR, that is correct.

The CHAIRMAN. What I can't understand is why the union could not deal with all of you alike?

Mr. CUPP. We can't understand it either.

The CHAIRMAN. That is your problem?

Mr. CUPP. That is our problem.

The CHAIRMAN. Some are favored, given more favored terms, some of your competitors, that you and some others were not granted, the same economic advantages?

Mr. CUPP. That is the problem.

The CHAIRMAN. I am trying to understand this.

Mr. KENNEDY. In our informal discussions with representatives of the Food Fair Co., they have felt that there really isn't an economic advantage in having a trailer drop. What is your comment on that?

Mr. CUPP. Well, I never saw anybody in this business who had that arrangement who gave it up voluntarily.

Mr. KENNEDY. Your figures of between \$18 and \$25 you believe are accurate figures, that that is how much a trailer drop is worth?

Mr. CUPP. That is what a trailer drop is worth to our company. That we know.

Mr. KENNEDY. Were you ever able to get some equality with these other companies, Mr. Cupp?

Mr. CUPP. No.

Mr. KENNEDY. Subsequently, did you——

Mr. CUPP. I should qualify that.

Mr. KENNEDY. Following the negotiations of 1954 and through 1955 and 1956, were you able to work out an arrangement whereby you got some equality?

Mr. CUPP. As it applied to the existing contract covering the years 1955 and 1956, the answer is "No." The 1956 negotiation for the years 1957 and 1958, there was developed an unrestricted trailer drop privilege outside of the 30-mile radius, with restrictions within 30 miles and that applies to everybody, as I understand it.

Mr. KENNEDY. Did you have a difficult time in dealing with Raymond Cohen and 107 during the period 1955 and 1956?

Mr. CUPP. Well, we didn't deal with them directly. MTLR was our agent.

Mr. KENNEDY. Did you have a difficult time getting what you wished through MTLR from local 107?

Mr. CUPP. Very definitely.

Mr. KENNEDY. Did you finally feel that you should switch from MTLR, to get somebody else to see if you could get some of these things clarified and get some of the things that the other companies were getting?

Mr. CUPP. Yes; we did.

Mr. KENNEDY. What steps did you take?

Mr. CUPP. That was sentiment within the industry to negotiate separately, as the food industry, and food employers labor relations was formed for that purpose. Prior to that we retained counsel to deal specifically with local 107, and never to enjoy the same operating conditions as had some of our competitors.

Mr. KENNEDY. What counsel did you retain at that time?

Mr. CUPP. We retained Mr. Samuel Blank.

Mr. KENNEDY. What did you know about Mr. Blank when you retained him?

Mr. CUPP. We knew that he had been of service to other people, and it was represented to us that he could be effective in our problems with local 107. I went to see him to discuss it and explained that our sole objective was to have the same operating conditions as had our competitors.

After a few days he indicated that he might be of some service to us. On that basis, we retained him.

Mr. KENNEDY. Had he represented the Food Fair Co. prior to that time?

Mr. CUPP. Some time in the past he had; yes.

Mr. KENNEDY. Had he been representing them starting in 1954, that you knew of?

Mr. CUPP. I wasn't sure as to the details of when or how.

Mr. KENNEDY. Had you learned that he had some success with local 107? Is that why you retained him?

Mr. CUPP. That is why we retained him; yes.

Mr. KENNEDY. Was he able to be successful in the negotiations with local 107 where MTLR had not been successful?

Mr. CUPP. He was.

Mr. KENNEDY. Would you tell us what happened?

Mr. CUPP. We wanted the same hourly schedule in our perishables warehousing delivery operations as had our competitors. That was the first and largest item that we had on our list. Within a very few weeks he was successful in working out for us, which involved a very substantial saving to our company.

Mr. KENNEDY. He was able to work it out where the MTLR had not been successful; is that correct?

Mr. CUPP. That is correct.

Mr. KENNEDY. Subsequently, was the matter of trailer drops equalized between yourselves and the other companies?

Mr. CUPP. No; he was not successful in that until in the negotiations of late 1956.

Mr. KENNEDY. But that did happen finally, ultimately?

Mr. CUPP. That did happen finally. Ultimately, it did.

Mr. KENNEDY. Did you ever feel that there had been some kind of an arrangement or deal that had been made by some of your competitors with local 107?

Mr. CUPP. Well, there were some things we just couldn't understand. We had no factual information. That is the best answer I can give you to that.

Mr. KENNEDY. Could you ever get an explanation as to why some of your competitors were allowed the unlimited trailer drops while you were not allowed them?

Mr. CUPP. No explanation; no.

The CHAIRMAN. You mentioned something about perishable goods.

Mr. CUPP. Fruits and vegetables and meats.

The CHAIRMAN. What disadvantage had been imposed on you with respect to that which you had gotten corrected?

Mr. CUPP. We were serving our stores 6 days a week. They were serving theirs 5 days a week. We wanted later starting times in an effort to work out a greater efficiency on utilization of manpower. We were denied the right to alter our schedules, but Mr. Blank was effective in bringing about that alteration.

The CHAIRMAN. You said there was some difficulty in your operations. You said your competitors were operating 5 days a week, and you were operating 6 days a week. What effect did that have? I do not understand that.

I understand the trailer drop. That is pretty clear, whatever advantages or disadvantages there are in that. But I do not understand where you were discriminated against with respect to perishable merchandise.

Mr. CUPP. It costs more to go to a destination point 6 times than it does 5 times.

The CHAIRMAN. What you wanted to do was to get on the five-time basis?

Mr. CUPP. That is correct.

The CHAIRMAN. In other words, operate your trucks for 5 days instead of 6?

Mr. CUPP. Correct.

The CHAIRMAN. They would not let you change that?

Mr. CUPP. That is right. But Mr. Blank worked it out for us.

The CHAIRMAN. And that concession later made to you was made after you hired Mr. Blank?

Mr. CUPP. That is correct.

The CHAIRMAN. Had you sought to change your schedule, to operate on a 5-day basis, at the time the contract was negotiated, in 1954?

Mr. CUPP. I am not sure of that. But during the life of the contract, in the years 1955 and 1956, we asked MTLR to work it out for us and they were totally unsuccessful.

The CHAIRMAN. They may have failed. That is one thing. I am trying to relate this as to whether this was a discrimination made against you over your protest at the time the original contract was made, or whether you just found your operation as previously established was costing more, and that you could effect savings by making the change.

Mr. CUPP. Senator, the work schedule is really not a subject of the negotiations. The rates per hour, the work week in terms of 40 hours, and other conditions, are matters for the contract. But the scheduling of the work is usually regarded as the employers' right.

The CHAIRMAN. Was there anything in the contract to prevent you from changing from 6 days to 5?

Mr. CUPP. No; this agreement did not prevent it.

The CHAIRMAN. In other words, what I am trying to get is the disadvantage, whatever was imposed upon you, or that you had brought upon yourself by reason of having a 6-day operation, was not an issue at the time the original memorandum was made.

Mr. CUPP. That is correct; it was not an issue at that time.

The CHAIRMAN. It was not an issue. Therefore, that would not be a discrimination against you in the course of the negotiation?

Mr. CUPP. That is correct.

The CHAIRMAN. But the other, with respect to the trailer drops, that was an issue at the time of the negotiations?

Mr. CUPP. That is correct.

The CHAIRMAN. And you came out at a disadvantage by reason of what you may term favoritism towards your competitor?

Mr. CUPP. That is right.

The CHAIRMAN. I did not understand this perishable goods.

Mr. CUPP. They are two different things.

The CHAIRMAN. This perishable-goods problem developed afterward. In making a survey of your business operations, you found you could save money by making 5 trips instead of 6?

Mr. CUPP. Ordinarily, in the operation of any contract, with the relationship of the union, as long as the basic provisions of a contract are respected by the employer, he has a right to run his business. In this instance, we didn't.

The CHAIRMAN. That was not by reason of contract?

Mr. CUPP. No.

The CHAIRMAN. That was by reason of pressure that was applied against you?

Mr. CUPP. That is right.

The CHAIRMAN. I am just trying to get this record as accurate as it is possible to get it. I do not see how that could be charged against your competitor. It may put you to a disadvantage. That is an action chargeable against the union; isn't that correct?

Mr. CUPP. I don't know as we have charged anything against our competitors.

The CHAIRMAN. I understand that. But the other, the trailer drop, you may say you didn't charge it against your competitors, because your competitors were trying to get, at the time of the negotiations, just as much advantage as he could, but you were working through the same medium of negotiation, representing all of them.

Mr. CUPP. That is right.

The CHAIRMAN. But it finally wound up that you came out with a disadvantage, whereas your competitors had considerable advantage from your standpoint?

Mr. CUPP. That is right.

The CHAIRMAN. That did not involve the problem that later arose with respect to the perishable goods?

Mr. CUPP. That is correct.

The CHAIRMAN. At the time of negotiating the contract, in 1954, was there any other disadvantage you suffered by reason of advantages that your competitors gained in that contract, other than the trailer drops?

Mr. CUPP. None that I know of; no.

The CHAIRMAN. Now, we have it completely clear that that is the only thing where you were discriminated against at the time the contract was made.

Mr. CUPP. That is right.

The CHAIRMAN. Proceed.

Mr. KENNEDY. I think the reason the other point was raised is that you had been trying to straighten out this other difficulty after the contract was signed, and that you had not been able to do it through MTLR but finally you went and retained Mr. Blank and he was able to straighten it out with local 107.

Mr. CUPP. That is correct.

Mr. KENNEDY. Subsequently, in negotiations that followed, you were able to achieve the equality as far as the trailer drops with your competitors; is that right?

Mr. CUPP. That is right.

Mr. KENNEDY. Did you know, hear or learn of anything that Mr. Lapensohn had to do with any of these matters?

Mr. CUPP. Well, I didn't.

Mr. KENNEDY. Did you?

Mr. BARTON. I had only seen Mr. Lapensohn 2 or 3 times. As far as knowing him, I knew nothing about him.

Mr. KENNEDY. Did he play any part in your achieving the success that you achieved with your new attorney, Mr. Blank?

Mr. BARTON. Not so far as I know.

Mr. KENNEDY. Did he take part in any of the discussions?

Mr. CUPP. No.

Mr. KENNEDY. You never met or talked with him about this matter?

Mr. BARTON. I can remember Mr. Lapensohn being at one meeting when Motor Transport Labor Relations were our representatives in the Adelpia Hotel. I can remember his being in one meeting when Mr. Sam Blank was working for us. Aside from that—

Mr. KENNEDY. He was present at that meeting?

Mr. BARTON. That is right.

Mr. KENNEDY. Was success achieved after that meeting that you had with Mr. Lapensohn, when he was representing local 107?

Mr. BARTON. I don't remember that point. I just had an operation and on returning from the hospital was not quite tied in with the work that was going on. At that time Mr. Lapensohn was at the union office and I met him. But I can't remember whether we were successful or whether we were not in our visit.

The CHAIRMAN. What did he have to do with it? What role did he play?

Mr. BARTON. I don't know.

Mr. CUPP. Nothing, as far as we were concerned.

The CHAIRMAN. You had no dealings with him?

Mr. CUPP. No, sir; I have never seen him.

The CHAIRMAN. You never discussed any of these problems with him at all?

Mr. CUPP. No, sir.

The CHAIRMAN. Did you discuss any other problems with him?

Mr. BARTON. With Mr. Lapenshon?

The CHAIRMAN. Yes.

Mr. BARTON. No; I have never talked about any problems with him.

The CHAIRMAN. Then he had no connection so far as you know?

Mr. BARTON. No connection so far as I know; no.

The CHAIRMAN. You say so far as you know?

Mr. BARTON. That is correct.

The CHAIRMAN. Did you have any information otherwise?

Mr. BARTON. Well, you read a lot of information in the newspapers.

Mr. KENNEDY. You had more information, it seems to me, when I talked to you a week ago.

The CHAIRMAN. I don't know. I am trying to get the facts.

Mr. BARTON. I said that Mr. Lapensohn was at the meeting in the 107 office.

The CHAIRMAN. Who were you meeting with?

Mr. BARTON. We were meeting with union 107 officials.

The CHAIRMAN. Who else was there?

Mr. BARTON. I don't know whether Mr. Blank was there or Mr. Rudenko was there.

The CHAIRMAN. Who is he?

Mr. BARTON. A law partner of Mr. Blank. I think Mr. Blank or other officials from his law office were there. They were 107 officials.

The CHAIRMAN. Union officials?

Mr. BARTON. Yes, sir.

The CHAIRMAN. What was the purpose of the meeting?

Mr. BARTON. To discuss some point of business that our operating people had asked Mr. Blank to process with union 107.

The CHAIRMAN. What was that point?

Mr. BARTON. I don't remember the specific point.

The CHAIRMAN. Did that have to do with the perishable goods?

Mr. BARTON. It could have been. I don't remember.

The CHAIRMAN. Did Mr. Blank represent you in any other matter besides the perishable goods problem?

Mr. BARTON. There may have been 2, 3, or 4 points discussed at that meeting.

The CHAIRMAN. Do you recall what the other points were?

Mr. BARTON. No, sir, I don't remember specifically what they were.

The CHAIRMAN. You don't say specifically that you discussed the perishable goods problem at that meeting; is that right?

Mr. BARTON. There was a letter in which we embodied 4, 5, or 6 points.

The CHAIRMAN. Here you hire a lawyer, and you get an appointment, I assume to go down to the union hall to talk to union officials about your problem.

Mr. BARTON. That is correct.

The CHAIRMAN. What was the problem?

Mr. BARTON. Well, I don't remember the points discussed in that letter, Senator.

The CHAIRMAN. When was this meeting held, or about when?

Mr. BARTON. It was probably 2 years ago last August or September, around in that time.

The CHAIRMAN. Where is the letter? Do you have a copy of the letter that you made a memorandum on?

Mr. BARTON. There would be a copy in our files; yes, sir.

The CHAIRMAN. Do we have a copy of it?

Mr. KENNEDY. I don't believe so. Was it 1955 or 1956?

Mr. CUPP. It would have had to have been 1956 for the fact that we retained Mr. Blank around June of 1956. He has served us since that time. It couldn't have been before that.

Mr. BARTON. It would have been in August or September—

The CHAIRMAN. That would have been less than 2 years ago.

Mr. CUPP. That is right.

The CHAIRMAN. I can't quite understand why you don't remember what the meeting was about.

Mr. CUPP. Maybe I can shed a little light on this.

The CHAIRMAN. I would be glad for you to.

Mr. CUPP. There were about five things that we hoped to accomplish, or have Mr. Blank accomplish for us. One was on trailer drops. The most immediate thing was altering our schedule for the handling of perishables. There was a question of helpers that we were required to carry on some trucks that management did not think were necessary. There were a couple of lesser things that I don't bring to mind right now. Those were the things that I went to see Mr. Blank about to see if he could help us. On the basis of him being able to help us on part of them—he didn't give us any assurance that he could help on any, but he thought he could on the first one—that was important and that is why we retained him. There was a succession of meetings. I can understand why Mr. Barton seems to be a little foggy to you. There were not only these points, but the general climate and the relationship between our company and 107 was very adverse, for reasons that we could not fathom. If there is

any one thing he did for us, it was to clear up such misunderstandings that may have been in the minds of the 107 leaders, so that our labor relations people would have a direct approach, whereas they would not even answer the phone or talk to us before. There was a succession of meetings, with Blank's office representing us.

I would say his greatest accomplishment was to give us an entry so we could at least talk to these people about our problems and lay them before them. In the operation of a large business, you have a great number of employees with unions, and there are all kinds of matters that arise that are properly the subject for discussion.

I can understand Mr. Barton not being able to rattle off specifically—

The CHAIRMAN. There were several meetings, of course you might not remember the specific details for this one.

Mr. BARTON. There is another reason for that, Senator, as I explained previously, I had been ill and in the hospital, and during my absence there had been 1, 2, or 3 meetings, the subject matter of which I was not familiar with.

As soon as I came back from the hospital, I was not at my strongest thinking in business channels as one would normally think, I was asked to go down to this meeting.

The letter had already been prepared, so it was a question of my going down and visiting with these people, at which time I met Mr. Lapensohn.

The CHAIRMAN. Was that your first meeting with Lapensohn?

Mr. BARTON. No, sir. I had explained that in 1954 I had met him in the Alephia Hotel, when Motor Transport Labor Relations were negotiating for us. I met him on a more informal basis that time than I did at this time for the reason that at the Adelphia Hotel there were large groups of people in attendance. At this meeting with 107 there was a small group. Our own company were the only people represented because Mr. Blank, by reason of his professional ability, had been able to arrange for us to meet personally with the 107 folks.

The CHAIRMAN. Had you gotten your relief on the perishable goods problem prior to the time you had this meeting in 107?

Mr. BARTON. I don't think so.

The CHAIRMAN. You think it was still pending?

Mr. BARTON. Yes, sir.

The CHAIRMAN. Maybe all 4 or 5 of the points were pending at that time?

Mr. BARTON. Yes.

The CHAIRMAN. And on some of them, and this is one of them, the perishable goods problem, you got relief?

Mr. BARTON. At a subsequent date, probably. That is correct.

Mr. CUPP. I think I should say that in all relationships of any kind between our company and Mr. Lapensohn—these are chance meetings that he is describing—they had no significance.

The CHAIRMAN. Did he appear to be taking any part in the discussion or did he take any part in the discussion of the meeting at 107?

Mr. BARTON. When I met Mr. Lapensohn originally in the Adelphia Hotel, I understood that he was a business agent of 107, and in his capacity as an official of the union, yes, as a business agent of the union that he acted that day.

The CHAIRMAN. Did he take part at the meeting in 107?

Mr. BARTON. Yes, sir.

The CHAIRMAN. He took part in the discussion there?

Mr. BARTON. Yes, sir.

The CHAIRMAN. As a representative of the union?

Mr. BARTON. Yes, sir. It was my understanding; yes. I thought he was acting as one of their key business agents.

Mr. KENNEDY. Finally you broke away from MTLR; did you?

Mr. BARTON. That is correct.

Mr. KENNEDY. Because you had this success with Mr. Blank?

Mr. CUPP. I think it was a natural outgrowth of that, there was sentiment in the food industry generally for separate representation or negotiations with 107. The food industry was kind of on the tail of the dog on the general industry negotiations and the food industry was not happy about that.

Mr. KENNEDY. You had achieved success with Mr. Blank where you had not achieved success with the MTLR; is that correct?

Mr. CUPP. That is correct.

Mr. KENNEDY. So you prevailed or urged the rest of the food industry to take on Mr. Blank; is that correct?

Mr. CUPP. I should say that we were influential. We did not urge, we did not have to urge, the sentiment was for breaking away from MTLR.

Mr. KENNEDY. Here are the minutes of November 13, 1956, of the MTLR, and local 107. In attendance: Mr. Cohen, Battisfore, Penrose, and Attorney McBride.

For the MTLR Mr. Clark, Gannon, Matthews, and Attorney Siegel. I want to read this for your comments on it.

Mr. Siegel states here, "Jim and Hugh," who are the heads of the MTLR—

have taken the attitude that they are very much distressed over the whole incident. However, they felt they could not hold Penn Fruit Co. in our group, nor could we negotiate for one food chain only.

This is the part I want to stress.

The way the food group left this association was the most suspicious thing I have ever heard of, and I have told Messrs. Blank and Rudenko.

Then Mr. Gannon goes on:

I would like to say something. I am upset because 2 years ago we were in agreement on all matters except 3, and you know and I know that everything was settled, except 3 points, seniority, picket lines, and hot cargo. Since that time many things have been added by you and your business agents.

He is talking to Mr. Cohen.

In addition I would like to get off my chest the fact that we have a contract with you under which you are not supposed to give anyone else any better deal than you gave our members. But you did this for Coastal Tank Lines. On American Stores, we could not get things accomplished in 18 months, but they got them ironed out directly by going to the union through their attorney in 1 hour.

Do you have any comment about those two statements, about the fact that the surrounding about this whole matter was highly suspicious, and the fact that after you retained Mr. Blank, you were able to get all of these matters straightened out rather quickly?

Mr. CUPP. I have not any comment. They admit they were unsuccessful and Mr. Blank was successful. What the basis of their

suspicious would be, I think they ought to explain. I don't know.

Mr. KENNEDY. Why was it that you retained Mr. Blank? Will you tell us that?

Mr. CUPP. Because he felt that he could accomplish for us in achieving some equality for our company—

Mr. KENNEDY. Why did you happen to go to Mr. Blank originally?

Mr. CUPP. We didn't want to have to go to anybody.

Mr. KENNEDY. Who urged you to go to Mr. Blank?

Mr. CUPP. The circumstances urged more than anything else. I would be glad to disclose it, the identity of the specific person.

Mr. KENNEDY. Was it a union official who suggested that you go to Mr. Blank?

Mr. CUPP. Yes; it was a union official.

Mr. KENNEDY. Did you understand at that time that Mr. Blank had a close relationship with any union official?

Mr. CUPP. We understood that he had a favorable relationship in that he could get a hearing on the incident. We could not get one nohow.

Mr. KENNEDY. You knew that he had represented the Food Fair Co. Did you understand that he had any other relationships with any of the union officials or business agents of the union?

Mr. CUPP. No; we were just looking for a result.

Mr. KENNEDY. Did you make a financial arrangement with him when you first went to talk to him?

Mr. CUPP. Not the first time. He suggested that if he were successful, a certain figure. He also made very plain that if we were not satisfied with the results or he could not produce, we had no obligation.

Actually, we paid him nothing until about 10 or 11 months after he started to look after our interests.

Mr. KENNEDY. Was that after he had been successful?

Mr. CUPP. That was after he had been successful.

Mr. KENNEDY. How much did you pay him then?

Mr. CUPP. We paid him \$20,000, and we considered as against the results he had secured for us, it was a very fair payment.

Mr. KENNEDY. How much was the result worth that he secured for you?

Mr. CUPP. The results on an annual basis on the first thing he accomplished, in savings to us, not only from 107 but from the other unions involved, was about \$100,000 a year, we considered for that result in so short a time, that his ideas of value were very fair.

Mr. KENNEDY. I am not questioning the fee at all.

Mr. CUPP. I should add that that represented a lot of things besides that one accomplishment. The clearing of the atmosphere, whatever caused it to be the way it was, was an accomplishment in itself. From a business standpoint or any other standpoint, we felt and feel it was a sound arrangement.

Mr. KENNEDY. I might say, Mr. Chairman, for Mr. Blank, that he does not have a very reputable reputation in Philadelphia. I do not want these facts to go out prior to the time that he testifies.

Mr. CUPP. I might add along that line that we made inquiries in banking circles and other circles before we engaged him, and he was highly recommended.

Mr. KENNEDY. All right.

The CHAIRMAN. Is there anything further?

Mr. KENNEDY. Not at this time.

The CHAIRMAN. Do you have anything, Senator Curtis?

Senator CURTIS. No; I think no.

The CHAIRMAN. All right. Thank you, gentlemen. You may stand aside.

Mr. KENNEDY. Mr. Kramer.

The CHAIRMAN. You do solemnly swear the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. KRAMER. I do.

TESTIMONY OF J. ALBERT KRAMER

The CHAIRMAN. State your name, your place of residence, and your business or occupation?

Mr. KRAMER. My name is J. Albert Kramer. I live in Merchantville, N. J. I am secretary-treasurer, of Rabiger-Kramer, Inc., Philadelphia.

The CHAIRMAN. You waive counsel?

Mr. KRAMER. I do.

Mr. KENNEDY. R-a-b-i-g-e-r-Kramer?

Mr. KRAMER. Yes.

Mr. KENNEDY. You do the trucking for the A. & P.; is that right?

Mr. KRAMER. That is right; some of it.

Mr. KENNEDY. In the Philadelphia area?

Mr. KRAMER. Yes.

Mr. KENNEDY. I want to take you specifically up to the negotiations in 1954. At that time, were you anxious to receive unlimited trailer drops?

Mr. KRAMER. We were.

Mr. KENNEDY. Did you feel, at that time, and do you still feel, that it amounts to an immense saving for a company if they have trailer drops?

Mr. KRAMER. That is right.

Mr. KENNEDY. What would you feel a trailer drop is worth, one trailer drop?

Mr. KRAMER. I feel that it is worth about \$22.50 a drop.

Mr. KENNEDY. That is about the same as the previous witness stated. So it would be an advantage worth \$22.50, approximately, for each drop that you were able to get?

Mr. KRAMER. Yes; it would be.

Mr. KENNEDY. And you had negotiations in 1954 on your behalf by the MTLR; is that right?

Mr. KRAMER. That is correct.

Mr. KENNEDY. The negotiations ended up with your being restricted, as a representative of the A. & P. Co. being restricted to 50 trailer drops, while some of your competitors received unlimited trailer drops; is that right?

Mr. KRAMER. That is right.

Mr. KENNEDY. Did you ever receive or obtain any explanation for that?

Mr. KRAMER. No; I did not.

Mr. KENNEDY. Do you feel that that puts you at a competitive disadvantage?

Mr. KRAMER. The company advised me that they were at a competitive disadvantage.

Mr. KENNEDY. Does that cost you a considerable amount of money or cost the company a considerable amount of money in comparison to our competitors, the fact that you were restricted in the trailer drops?

Mr. KRAMER. My own company lost considerable money in 1955 by not having the drops.

Mr. KENNEDY. This is a very important matter to a company; is that correct?

Mr. KRAMER. That is right.

The CHAIRMAN. You said you lost. Do you mean that the overall operation was a loss, or that you would have made more money by reason of the drops?

Mr. KRAMER. Our overall operation was a loss in 1955.

The CHAIRMAN. And you think that was caused in part at least by not having the trailer drops?

Mr. KRAMER. It was.

The CHAIRMAN. How many trailer drops could you use if you had them unlimited?

Mr. KRAMER. I think at that time we could have used about 100 a week, with a steady increase as the stores were prepared to receive dropped trailers.

The CHAIRMAN. How many did you actually have?

Mr. KRAMER. We had 50 during 1955.

The CHAIRMAN. How much would that amount to a year? 50 drops a week you were denied. You could have used 100 a week and you only had 50, so that is a deficiency of 50 a week.

Mr. KRAMER. That is right.

The CHAIRMAN. 50 times \$22.50, what does that amount to each week?

Mr. KRAMER. I hadn't figured it that way, Senator, but I know in 1955 we lost \$72,000.

The CHAIRMAN. It is a matter of mathematics. But you lost some \$70,000?

Mr. KRAMER. That is right.

The CHAIRMAN. And this trailer drop savings would have made that up?

Mr. KRAMER. I think it would.

The CHAIRMAN. Is there anything further?

Senator CURTIS. Mr. Chairman.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Who gains by a restriction in the contract as to the number of trailer drops?

Mr. KRAMER. Well, I think the company with the freedom of operation certainly would profit greatly by having a drop.

Senator CURTIS. Is there any advantage to the union?

Mr. KRAMER. Sir?

Senator CURTIS. Is there any advantage to the union?

Mr. KRAMER. I don't know that it would make much difference one way or the other.

Senator CURTIS. Does it call for the employment of more men?

Mr. KRAMER. By not having trailer drops, it does call for the employment of more people, or at least with longer hours. It may not

change the number of people, but it would have quite an effect on overtime.

Senator CURTIS. What would have happened to your company if you had held out in the negotiations for unlimited trailer drops?

Mr. KRAMER. What would have happened to my company?

Senator CURTIS. Yes.

Mr. KRAMER. Well, at that time I wasn't in a position to do so. After all, I am a contract carrier for A. & P.

Senator CURTIS. What I mean is would the union have been in a position and would they have closed down the operation?

Mr. KRAMER. There is that possibility.

Senator CURTIS. Do you regard whether or not to use trailer drops a management decision or is that properly a labor decision?

Mr. KRAMER. I think it is a management decision.

Senator CURTIS. I agree with you.

That is all, Mr. Chairman.

Mr. KENNEDY. The Food Fair Co. has maintained to us that there is no saving in trailer drops. What would your comment be on that?

Mr. KRAMER. I couldn't understand that.

Mr. KENNEDY. There is no question in your mind that there is?

Mr. KRAMER. Not at all.

Mr. KENNEDY. What about the cost of equipment?

Mr. KRAMER. Sir?

Mr. KENNEDY. What about the cost of equipment? Would there be a saving in that field?

Mr. KRAMER. I don't think there would be any marked saving in the cost of equipment, because over the amortized period of the equipment, it would make very little difference.

Mr. KENNEDY. It is well understood in the industry that there is a savings in trailer drops; is it not?

Mr. KRAMER. That is right.

Mr. KENNEDY. That is, in having trailer drops?

Mr. KRAMER. That is true.

Mr. KENNEDY. That is all.

The CHAIRMAN. The committee will stand in recess until 2 o'clock. (Whereupon, at 12:13 p. m., the committee recessed to reconvene at 2 p. m., the same day.)

(Members of the committee present at the taking of the recess were: Senators McClellan and Curtis.)

AFTERNOON SESSION

(The committee reconvened at 2 p. m., at the expiration of the recess.)

(Members of the committee present at the convening of the session were: Senators McClellan and Curtis.)

The CHAIRMAN. The committee will come to order.

Call the next witness, Mr. Kennedy.

Mr. KENNEDY. Mr. Chairman, the next witness will be Mr. Julius Schwartz.

I would like to also explain, Mr. Chairman, that there is a Food Fair chainstore, or group of stores, here in Washington, D. C., and they have nothing to do with the Food Fair Co. that we have been discussing.

We have had some inquiry about that, and I wanted to straighten out the record.

The CHAIRMAN. Be sworn, please.

You do solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SCHWARTZ. I do.

**TESTIMONY OF JULIUS S. SCHWARTZ, ACCOMPANIED BY HIS
COUNSEL, SCOTT W. LUCAS AND HARRY SHAPIRO**

The CHAIRMAN. State your name, your place of residence, and your business or occupation.

Mr. SCHWARTZ. My name is Julius S. Schwartz. My residence is in Philadelphia. I am industrial relations director for Food Fair Stores, 2223 East Allegheny Avenue, Philadelphia.

The CHAIRMAN. You have counsel present.

Counsel, will you identify yourself for the record?

Mr. LUCAS. I am Scott W. Lucas, attorney at law, 1025 Connecticut Avenue, representing all of the Food Fair executives who are going to testify before this committee, along with Mr. Harry Shapiro, attorney at law, Philadelphia, Pa.

The CHAIRMAN. Thank you very much. We are glad to have you. We have missed you here quite a lot.

Mr. LUCAS. It is very kind to have you say that, sir.

Mr. KENNEDY. Were you a Senator also, Mr. Shapiro?

Mr. SHAPIRO. That is right, sir, but not to the degree as the chairman has the honor to be.

Mr. KENNEDY. Mr. Chairman, Mr. Schwartz is being asked to appear at this time on a limited inquiry. He will be recalled at a later time.

You are director of industrial relations; are you?

Mr. SCHWARTZ. That is right, sir.

Mr. KENNEDY. You have held that position for how long?

Mr. SCHWARTZ. I would say 13 to 14 years.

Mr. KENNEDY. That is for the Food Fair Co.?

Mr. SCHWARTZ. That is the Food Fair Stores.

Mr. KENNEDY. What are your responsibilities?

Mr. SCHWARTZ. My responsibilities include employment, training, labor relations, publications, public relations, and I also administer about 200 scholarships for the Food Fair Stores Foundation.

Mr. KENNEDY. Is that only in Philadelphia, or is that nationally?

Mr. SCHWARTZ. That is the entire chain.

Mr. KENNEDY. Your headquarters in Philadelphia; is that right?

Mr. SCHWARTZ. Philadelphia, that is right.

Mr. KENNEDY. You have been a representative in the bargaining agency for some of your employees in the Teamsters Union; is that right?

Mr. SCHWARTZ. That is right.

Mr. KENNEDY. Specifically you have local 107?

Mr. SCHWARTZ. 107 in Philadelphia.

Mr. KENNEDY. Did you know Mr. Benjamin Lapensohn from local 107?

Mr. SCHWARTZ. I know Mr. Lapensohn; yes, sir.

Mr. KENNEDY. How long have you known Mr. Lapensohn?

Mr. SCHWARTZ. I would say I met him about 10 or 11 years ago.

Mr. KENNEDY. Under what circumstances did you first meet him?

Mr. SCHWARTZ. I was out on an evening with a labor man who introduced me to him.

Mr. KENNEDY. Did you see him occasionally after that?

Mr. SCHWARTZ. Very casually.

Mr. KENNEDY. You didn't know him very well?

Mr. SCHWARTZ. Not very well at all.

Mr. KENNEDY. Did he ever come to your home?

Mr. SCHWARTZ. Never, sir.

Mr. KENNEDY. Did you ever go to his home?

Mr. SCHWARTZ. No, sir.

Mr. KENNEDY. Did the other officials of the Food Fair Co. know Mr. Lapensohn?

Mr. SCHWARTZ. I think some do know him.

Mr. KENNEDY. Do you know if he had ever visited them at their home?

Mr. SCHWARTZ. That I do not know.

Mr. KENNEDY. You think some of the others know him, but you don't know how well?

Mr. SCHWARTZ. I don't know.

Mr. KENNEDY. Mr. Friedland, did he know him?

Mr. SCHWARTZ. That I don't know, sir.

Mr. KENNEDY. Mr. Arnold Cohen?

Mr. SCHWARTZ. I think he stated once he did know him.

Mr. KENNEDY. Did you know him as a representative of local 107?

Mr. SCHWARTZ. No; I did not.

Mr. KENNEDY. Did you know he worked for 107?

Mr. SCHWARTZ. I found out he did work for 107.

Mr. KENNEDY. Did you know at the time?

Mr. SCHWARTZ. What time is that?

Mr. KENNEDY. During the period of negotiations for the contract of 1954—during the period 1955 and 1956. Did you know he was associated with local 107?

Mr. SCHWARTZ. I knew he was associated.

Mr. KENNEDY. What do you mean associated?

Mr. SCHWARTZ. That he had some administrative position down there.

Mr. KENNEDY. Do you know in what capacity?

Mr. SCHWARTZ. No; I do not.

Mr. KENNEDY. You did not?

Mr. SCHWARTZ. I do not know.

Mr. KENNEDY. How did you know he was associated with 107?

Mr. SCHWARTZ. Because I happened to see him there on one occasion and I inquired about him, and they said he was working with 107.

Mr. KENNEDY. When was that that you saw him?

Mr. SCHWARTZ. It might have been maybe in the latter part of 1954. That may not be exactly right.

Mr. KENNEDY. Was that during the period of time that the negotiations for the contract were going on?

Mr. SCHWARTZ. I don't think so. The negotiations were in December, I think, of 1954. I don't know whether I recall seeing him down there or not.

Mr. KENNEDY. Did you see him before that?

Mr. SCHWARTZ. I may have, on 1 or 2 occasions.

Mr. KENNEDY. At the union headquarters?

Mr. SCHWARTZ. At the union headquarters; yes.

Mr. KENNEDY. That was prior to the negotiations?

Mr. SCHWARTZ. I am not sure whether it was prior or not that I had seen him.

Mr. KENNEDY. If the negotiations took place in December 1954, and you saw him in 1954, if it was that year, it must have been before December.

Mr. SCHWARTZ. It would have been some time in the fall.

Mr. KENNEDY. Did you have discussions with him at that time?

Mr. SCHWARTZ. No; I didn't. It was just a greeting, and I was surprised to see him.

Mr. KENNEDY. Did you see him any other time down there?

Mr. SCHWARTZ. Maybe on 1 or 2 occasions.

Mr. KENNEDY. Did you ever discuss the Food Fair problems with Mr. Lapensohn?

Mr. SCHWARTZ. Not directly; no.

Mr. KENNEDY. Did you indirectly?

Mr. SCHWARTZ. There was one occasion there where we had a grievance and I tried to reach our regular business agent and he wasn't there. I mean, our business agents weren't there, and I was referred to who was there, and it happened to be Mr. Lapensohn. I told the story and that was it.

Mr. KENNEDY. When was that?

Mr. SCHWARTZ. I think it might have been in 1954 or 1955.

Mr. KENNEDY. 1954 or 1955?

Mr. SCHWARTZ. I am not sure.

Mr. KENNEDY. Did you discuss the grievance with him? Did you discuss that with Mr. Lapensohn?

Mr. SCHWARTZ. I told him the grievance. That was it.

Mr. KENNEDY. You what?

Mr. SCHWARTZ. I told him the grievance; yes.

Mr. KENNEDY. Was he able to do something about it?

Mr. SCHWARTZ. I don't recall. It was just to get on record. I think it was a discharge case.

Mr. KENNEDY. Did you discuss any other grievances with him?

Mr. SCHWARTZ. Never.

Mr. KENNEDY. Did you discuss any other matters dealing with Food Fair, the contract between Food Fair and local 107?

Mr. SCHWARTZ. No; I didn't, because I didn't see him that often.

Mr. KENNEDY. You did not discuss that with him. Do you know if any of the other officials of your company ever discussed this contract with him?

Mr. SCHWARTZ. No; I don't, sir.

Mr. KENNEDY. You were in charge of these negotiations, or you were in charge of the labor relations?

Mr. SCHWARTZ. For the company, and represented the company.

Mr. KENNEDY. As I understand it, the MTLR is the one that conducted the negotiations for you in that contract of 1954.

Mr. SCHWARTZ. Yes, sir; that is correct.

Mr. KENNEDY. Did you participate in the negotiations or discussions at all yourself?

Mr. SCHWARTZ. I was present at two meetings, as part of the food group who sat as an advisory committee to the MTLR.

Mr. KENNEDY. When were those two meetings?

Mr. SCHWARTZ. They were around the middle of December, and I think one was around the 14th of December and the other about the 17th of December.

Mr. KENNEDY. Where were those meetings held?

Mr. SCHWARTZ. Down at the 107 hall.

Mr. KENNEDY. At that time the negotiations were being conducted by the MTLR?

Mr. SCHWARTZ. That is correct.

Mr. KENNEDY. During that time around the 14th or 17th of December, or during that period of time, did you have any personal conferences with the representatives of local 107?

Mr. SCHWARTZ. No; I did not.

Mr. KENNEDY. You did not?

Mr. SCHWARTZ. No.

Mr. KENNEDY. Did any of your company, any representatives of your company?

Mr. SCHWARTZ. I don't think so.

Mr. KENNEDY. They never told you about it if they did?

Mr. SCHWARTZ. No; they didn't.

Mr. KENNEDY. Was this question of the trailer drops an important question?

Mr. SCHWARTZ. That was a very important question, among other questions.

Mr. KENNEDY. Did you or any representative of your company, have any discussions with the representatives of local 107 as to how many trailer drops should be allowed to Food Fair?

Mr. SCHWARTZ. Discussions on that?

Mr. KENNEDY. Yes.

Mr. SCHWARTZ. I had none directly with them.

Mr. KENNEDY. My question was: Did you or any representative of your company have any discussions with them about how many trailer drops should be allowed to Food Fair?

Mr. SCHWARTZ. I think there is a question there of a principle, I think, the principle being to retain what we had had for about 5 years.

Mr. KENNEDY. Now the question is: Did you or representatives of your company have any discussions with any representatives of local 107 as to the question of how many trailer drops should be allowed?

Mr. SCHWARTZ. Might I ask what you mean by representatives of the company?

Mr. KENNEDY. Other than the MTLR.

Mr. SCHWARTZ. Only that I had to keep my company informed, and I also kept—

(Witness conferred with his counsel.)

Mr. KENNEDY. You haven't answered. I have asked you the question three times and you haven't answered yet. Did you or any

representative of your company, with the exception of the MTLR, have any discussions with the representatives of local 107 as to how many trailer drops should be allowed during this period of time?

Mr. SCHWARTZ. I would not know.

Mr. KENNEDY. What do you mean you would not know?

Mr. SCHWARTZ. Only that in trying to answer your question, you are asking me whether any representative of the company had a discussion with them. I didn't have a discussion with them.

Mr. KENNEDY. Do you know if any representative of your company had any discussions with them?

Mr. SCHWARTZ. No; I don't, except I kept our counsel informed.

Mr. KENNEDY. You kept your counsel informed of what?

Mr. SCHWARTZ. When the situation got very critical there, in the progress of the negotiations.

Mr. KENNEDY. Who was your counsel?

Mr. SCHWARTZ. Mr. Blank.

Mr. KENNEDY. Did he have discussions with the representatives of local 107?

Mr. SCHWARTZ. That I don't know.

Mr. KENNEDY. He never told you that he was having discussions?

Mr. SCHWARTZ. I was keeping him informed on it.

Mr. KENNEDY. You are not answering the question at all.

(Witness conferred with his counsel.)

Mr. KENNEDY. Listen to the question and then answer it. Did he ever inform you that he was having any discussions with the representatives of local 107?

Mr. SCHWARTZ. I don't remember.

Mr. KENNEDY. You don't remember. Well, now, it would be rather unusual, as you had the MTLR conducting the negotiations for you, that would be a rather unusual situation, would it not, to have an outside attorney going down and negotiating the contract. That would be something that you would remember. Did it happen?

Mr. SCHWARTZ. No; because MTLR was representing us there.

Mr. KENNEDY. Did a representative of your company, Mr. Blank or anyone else, go down and have any discussions with the representatives of local 107?

Mr. SCHWARTZ. I don't know.

Mr. KENNEDY. You do not know?

Mr. SCHWARTZ. No.

Mr. KENNEDY. As the labor relations official for Food Fair, you would know if it happened; would you not?

Mr. SCHWARTZ. It could be.

Mr. KENNEDY. Well, did anybody ever indicate to you that they were having some discussions with Mr. Cohen or Mr. Lapensohn?

Mr. SCHWARTZ. I don't recall that there were any indications.

Mr. KENNEDY. That would be something that you would remember, Mr. Schwartz. That would be something that you would remember. Did anybody from the company ever inform you that they were having such a discussion?

Mr. SCHWARTZ. Not that I can recall in the company.

Mr. KENNEDY. "Not that I can recall in the company." Did anybody outside the company inform you they were having such discussions?

Mr. SCHWARTZ. No, sir.

Mr. KENNEDY. Did anybody inside the company inform you they were having such discussions?

Mr. SCHWARTZ. No, sir.

Mr. KENNEDY. Did anybody inform you that they were having such discussions?

Mr. SCHWARTZ. No, sir.

Mr. KENNEDY. You are sure of that?

Mr. SCHWARTZ. Positive.

Mr. KENNEDY. Did you ever learn such discussions as to the contract were taking place?

Mr. SCHWARTZ. May I have that again?

Mr. KENNEDY. Did you ever learn that discussions as to the terms of the contract were taking place between representatives of Food Fair and the representatives of local 107?

Mr. SCHWARTZ. I don't remember.

Mr. KENNEDY. "I don't remember." You just said no to the other question.

(Witness conferred with his counsel.)

The CHAIRMAN. The Chair would like to ask the witness a question. We want to get this record straight. I think possibly you misunderstood the question. What we are undertaking to determine is aside from MTLR, those who were there in the regular course of representing all the stores that were involved, all of the companies, the chains, that were involved.

As I understand it you had this MTLR, Motor Transport Labor Relations, representing all of the chainstores that were involved in these negotiations; is that correct?

Mr. SCHWARTZ. That is correct.

The CHAIRMAN. The question here is where you or anyone else associated with food stores, or anyone else representing them, either attorneys or other officers or agents of the food stores, had separate conferences and negotiations with representatives of the union regarding the subject matter that was under discussion in the negotiations.

I think that is as direct as I can put it.

Mr. SCHWARTZ. Well, I wasn't there for any of those discussions, but I did keep our attorney informed of the progress of the negotiations.

The CHAIRMAN. You said you kept your attorney informed. That does not answer the question. Did you have any conversations? Did any of those other than the MTLR group, any of your company, agents, officers, or attorneys, carry on or have conversations with representatives of the union with regard to this contract, or anything involved in these negotiations?

The question is: First, do you know whether they did or not?

Mr. SCHWARTZ. I don't know, sir, whether they did or not.

The CHAIRMAN. Did you?

Mr. SCHWARTZ. No.

The CHAIRMAN. And you know of no one else who did?

Mr. SCHWARTZ. I can't say that I don't know that. I can possibly infer.

The CHAIRMAN. You know of no one else who did? You can answer that. Or do you know?

Mr. SCHWARTZ. Do you mind repeating the question again, Senator?

The CHAIRMAN. Yes, sir; I will repeat it. Do you know of any officer, agent, attorney, or representative of Food Fair Stores, Inc. other than those of the MTLR having conversations with or negotiations with or conferences with representatives of the union, 107, regarding the subject matter that was in consideration in the negotiation conferences?

Mr. SCHWARTZ. I would think our lawyers' office had conversations with them.

The CHAIRMAN. You think who?

Mr. SCHWARTZ. Our attorney's office.

The CHAIRMAN. That is your impression?

Mr. SCHWARTZ. At my what?

The CHAIRMAN. That is your impression?

Mr. SCHWARTZ. That is right.

The CHAIRMAN. That is your recollection?

Mr. SCHWARTZ. That is right.

The CHAIRMAN. Who was your attorney?

Mr. SCHWARTZ. Mr. Blank.

The CHAIRMAN. He was carrying on, you think, conferences with the representatives of the union during the period of these negotiations?

Mr. SCHWARTZ. Only to the extent that I was keeping him informed, and there was a question there of a strike being imminent.

The CHAIRMAN. How would you be keeping him informed of his own conferences with the union officials?

Mr. SCHWARTZ. Except this, that he knew the seriousness of it, in representing us.

The CHAIRMAN. I am sure he knew the seriousness of it, but the point is was he having these conversations or conferences with representatives of the union?

Mr. SCHWARTZ. I understood he was having some conferences.

The CHAIRMAN. You understood that he was. All right.

Mr. KENNEDY. What form were those conferences taking?

Mr. SCHWARTZ. I really don't know.

Mr. KENNEDY. What did he tell you about the conferences?

Mr. SCHWARTZ. I don't know what happened at the conferences. I told him our position.

Mr. KENNEDY. What did he tell you about what was happening at the conferences?

Mr. SCHWARTZ. He was counseling me on what they attempt to do, and at the same time I gave him some of the ideas that came out of some of our caucuses, company caucuses.

Mr. KENNEDY. He reported back to you as to what should be done, what position you should take regarding the negotiations?

Mr. SCHWARTZ. We exchanged views on those.

Mr. KENNEDY. That was after his conferences with the officials of local 107?

Mr. SCHWARTZ. I don't know when the conferences took place.

Mr. KENNEDY. That is what you understood, what he was reporting back to you was based on the conferences that he had with local 107 officials?

Mr. SCHWARTZ. I think that would be right.

Mr. KENNEDY. And you in turn would take a particular position with your MTLR people; is that right?

Mr. SCHWARTZ. No. I would take the position with our own group, and then we would pass on what ever we could do to our MTLR people.

Mr. KENNEDY. Did your group know that you were having these secret meetings with local 107 officials?

Mr. SCHWARTZ. I don't know whether I would call them secret meetings.

Mr. KENNEDY. Were they secret from them?

Mr. SCHWARTZ. They probably don't know about those; no.

Mr. KENNEDY. Is that where you got the idea, was it from Mr. Blank that you received the idea, of requesting the unlimited trailer drops with the 20 helpers?

Mr. SCHWARTZ. No; I didn't get it there. We had the unlimited drops up until that time.

Mr. KENNEDY. Was it from the negotiations that were conducted by Mr. Blank with the officials of local 107 that was the basis of your requesting that that system continue, of unlimited trailer drops, plus putting on the 20 helpers?

Mr. SCHWARTZ. I would say not, because we had several ideas on the subject.

Mr. KENNEDY. What ideas came from Mr. Blank?

Mr. SCHWARTZ. Well, the ideas there I reviewed with him, and we had the ideas, for example, of the possibility of creating a fund and having it divided among the various drivers. Then we had another idea that maybe we ought to have a bonus of a half hour or an hour go to the drivers who were dropping. Then the idea came up that possibly helpers, adding helpers, might be a solution, because from a union point of view the continuation of drops meant that they were losing or could lose membership.

Mr. KENNEDY. Why didn't you just allow the MTLR to conduct these negotiations for you?

Mr. SCHWARTZ. They did. They got the same ideas.

Mr. KENNEDY. Why did you have your own private attorney go around conducting negotiations?

Mr. SCHWARTZ. I don't know whether you would call it conducting. It was just sounseling with him.

Mr. KENNEDY. When had you retained Mr. Blank?

Mr. SCHWARTZ. I can't say exactly, because I was not the one that retained him.

Mr. KENNEDY. Who retained Mr. Blank?

Mr. SCHWARTZ. I think that came through our president's office.

Mr. KENNEDY. What were the financial arrangements with him?

Mr. SCHWARTZ. I don't know the financial arrangements that were that were made.

Mr. KENNEDY. But he was there, he started working for you during the period of these negotiations in 1954?

Mr. SCHWARTZ. It was prior to 1954.

Mr. KENNEDY. Prior to 1954?

Mr. SCHWARTZ. Pardon me. I mean prior to the negotiations.

Mr. KENNEDY. Do you know when he received his first fee?

Mr. SCHWARTZ. No; I do not.

Mr. KENNEDY. In your conferences with him as to the proposition that you would make in your meetings, did you finally come up with

the solution that you should make the proposition that you would continue with your trailer drops and put on 20 helpers?

Mr. SCHWARTZ. No; I did not.

Mr. KENNEDY. What did you finally decide in your meetings after his meetings with the union officials?

Mr. SCHWARTZ. What we did there was in our own caucuses among the other food people, discussing various means.

Mr. KENNEDY. Your ideas were based on the meetings that Mr. Blank had with these union officials. Did you finally come up with the idea that you would suggest the unlimited trailer drops and the 20 extra helpers? Is that correct?

Mr. SCHWARTZ. No; I didn't suggest that.

Mr. KENNEDY. That was the culmination of your meetings with Mr. Blank; was it not?

Mr. SCHWARTZ. No.

Mr. KENNEDY. Where did you get the idea?

Mr. SCHWARTZ. Our idea was an idea not only of our company but other companies present in discussions in our own caucuses, and we relayed it to our own committee.

Mr. KENNEDY. This was not your own idea?

Mr. SCHWARTZ. Not my idea.

Mr. KENNEDY. Mr. Friedland—was he aware of the fact—was the president of Food Fair aware of the fact that Mr. Blank was having these personal meetings with the officials of local 107?

Mr. SCHWARTZ. If I may right here, Senator—Mr. Kennedy—Mr. Friedland was not president of the company at the time, and I was not in touch with him about it at all.

Mr. KENNEDY. Was he an official of the company at the time?

Mr. SCHWARTZ. Yes, he was, sir.

Mr. KENNEDY. Was he aware of the fact that Mr. Blank was having these meetings?

Mr. SCHWARTZ. I don't think he was.

Mr. KENNEDY. Who else in the company knew that these meetings were taking place?

Mr. SCHWARTZ. Well, if anyone knew—I would report my negotiations and the progress of them to the vice president in charge of warehousing and transportation. That is Mr. Cohen.

Mr. KENNEDY. But you did not inform the group that was conducting the negotiations for you, the MTLR?

Mr. SCHWARTZ. No; I did not.

Mr. KENNEDY. They were unaware of the fact that you were having these personal negotiations?

Mr. SCHWARTZ. Well, they might have been unaware of it, yes, sir.

Mr. KENNEDY. Well, you didn't tell them?

Mr. SCHWARTZ. No; I did not.

Mr. KENNEDY. There was no other way they could find out. That is correct, is it not?

Mr. SCHWARTZ. That is correct.

Mr. KENNEDY. And you were able, in these negotiations, and in the contract that was signed, you were able to get unlimited trailer drops, were you not?

Mr. SCHWARTZ. Well, the final settlement was a continuation of unlimited trailer drops, which was true of another major competitor

who, no doubt, is larger than we are in the particular town. But there were limitations on it.

Mr. KENNEDY. Did you know that they were refusing to grant that same allowance to the A. & P. Co., the national stores?

Mr. SCHWARTZ. A. & P. was sitting there with us.

Mr. KENNEDY. You were aware, were you not, that they refused to grant that to the A. & P. stores and to the National—

Mr. SCHWARTZ. On the contrary; I don't know whether A. & P. acted individually or any other company acted individually.

But we were negotiating to contract to continue our present method in 1954 insofar as drops were concerned, and that was true of three other companies. At the same time, two of the leading companies received the privilege of dropping trailers.

Mr. KENNEDY. The facts are that you received unlimited trailer drops and A. & P. and American Stores did not receive unlimited trailer drops.

Mr. SCHWARTZ. But we had the drops.

Mr. KENNEDY. But they also wanted and needed unlimited trailer drops at that period of time.

You were aware of the fact, were you not, that you received unlimited trailer drops, and these other stores were limited to 50?

Just answer the question, and then you can go on to explain it, if you wish.

Mr. SCHWARTZ. I was very much aware of that.

Mr. KENNEDY. You were aware of it?

Mr. SCHWARTZ. Yes.

Mr. KENNEDY. Did you want to offer some explanation?

Mr. SCHWARTZ. Yes; I do. What we were after, along with another major competitor, was a continuance of the same method of operation. When it came to our competitors, when we first got into this drop picture, the competitors, namely two of the companies that were represented here this morning, I don't think they were in any position to use all the drops or could use drops because of the fact that their stores were not the same caliber of stores that ours were. I only cite this particular fact to you. In 1950, we went in to trucking in 1949, in 1950, in analyzing the size of stores and the volume of the other companies, our volume per store, and we had 113 in 1950, was around a million and a half dollars per store.

American Stores also was doing, at 1,637 stores, about \$253,000. In other words, the Food Fair volume was six times the volume per store of this particular competitor. In the case of the A. & P., it was 2½ times, and in the case of Penn Fruit, they were larger. These large volume stores were an outcome of an evolution in supermarket merchandising, where we try to display merchandise in a self-service fashion, and at the same time to go for the larger markets, and, therefore, as much as possible, create an efficient operation which the other competitors have not done.

They were just starting gradually to get up to this point, until in 1954, at this negotiation, and I am just checking some figures here on sales that were reported in their annual reports, in 1954, the negotiation time, our particular volume was around \$1.7 million. American Stores was about \$0.5 million.

Therefore, our volume was three times theirs, but they were converting their stores, closing up the small traditional service store and getting into the self-service market.

Therefore, their demand for this type of operation was more to their liking. That brought about their particular fight for the situation. We, on the other hand, wanted to retain what we previously had had.

Mr. KENNEDY. They wanted trailer drops.

Mr. SCHWARTZ. That is right.

Mr. KENNEDY. And they wanted trailer drops in the same rate that you were getting trailer drops.

Mr. SCHWARTZ. Well, here is one thing I can say to you—

Mr. KENNEDY. Isn't that correct, they wanted trailer drops just as you were getting trailer drops?

Mr. SCHWARTZ. That is right.

Mr. KENNEDY. And they were not allowed to have trailer drops at the same rate you were having them.

Mr. SCHWARTZ. Prior to that time, I don't know whether there was a necessity for them.

Mr. KENNEDY. I am not asking that. I say at that time they were not allowed to get the same number of trailer drops as you were getting.

Mr. SCHWARTZ. I have no objection to them getting all the trailer drops in the world.

Mr. KENNEDY. I am sure of that. But the facts are that they were not able to get the trailer drops at the same number you were able to get them.

Mr. SCHWARTZ. I don't know whether they couldn't get them.

Mr. KENNEDY. Well, they did not get them, did they?

Mr. SCHWARTZ. They did not have them.

Mr. KENNEDY. Well, they did not get them, did they?

Mr. SCHWARTZ. No.

Mr. KENNEDY. And they wanted them, did they not?

Mr. SCHWARTZ. That is right.

The CHAIRMAN. Let me ask you about the trailer drops. Are they quite an advantage from the standpoint of economic operation?

Mr. SCHWARTZ. Well, I don't know whether I would call it an advantage, Senator. To us it is a convenience and a modern, efficient way to transport merchandise from a major warehouse to a store.

In some cases, too, there are a lot of stores that could not take a complete load of merchandise at any one time.

Therefore, it was the convenient factor of having this trailer parked outside of the back of your store to be unloaded at the convenience of the store personnel. And also, at the convenience and the demand of the needs of the consuming public.

The CHAIRMAN. You said it is very convenient to have them. I am asking you about the economic factor. Is there also quite a saving by reason of having them, in operation cost?

Mr. SCHWARTZ. I don't know whether it is an economic factor. I heard some figures this morning, Senator. I think one was \$22.50 a drop. That is what one man quoted. Another one said anywhere from \$18 to \$25.

The CHAIRMAN. That is right.

MR. SCHWARTZ. I don't know where they get their figures. Quickly trying to analyze it myself, if you didn't have a trailer drop and a man unloaded, the driver unloaded, the merchandise at the store level when the trailer came in, it would take him maybe 2, 2½, or 3 hours to unload it. Therefore, at the rate at the time, in 1954, which was the 1955 contract and which could be somewhere around \$2.47, it might cost anywhere from \$7.50 to \$10 to unload.

At the same time, you had a professional who could unload it. But when he went away, then you had to have some store help who were not professionals in unloading to unload.

They cost you maybe \$1.50 an hour. So in figuring it out, it is a question in my mind of whether it costs you \$8 to \$10 with a driver, or \$6 with the store help.

So that is why I fail to see the figures that were mentioned this morning, how they reconcile them.

THE CHAIRMAN. You do not agree with the figures mentioned this morning, but you do agree there is some economic advantage in them?

MR. SCHWARTZ. You may call them economic advantages. I call it convenience and efficiency in the method of operating our markets, which is part of the evolution of the supermarket industry.

THE CHAIRMAN. Don't convenience and efficiency contribute to economy?

MR. SCHWARTZ. I would say it does.

MR. LUCAS. Mr. Chairman, may I interject for just one statement on this point?

THE CHAIRMAN. Yes.

MR. LUCAS. We have a witness, Mr. Arnold Cohen, who will go into this very question at some length when he is on the stand.

THE CHAIRMAN. All right.

Well, I was just getting this witness' view.

I did not know who in the company would be able to give the best testimony regarding it. All right, I will just defer until we get Mr. Cohen on the stand.

Senator CURTIS. Mr. Chairman.

THE CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Schwartz, I want some things straightened up in my mind. What is the MTLR?

MR. SCHWARTZ. The MTLR is the Motor Transport Labor Relations division of the Pennsylvania Motor Truckers Association.

That group negotiates for many truckers in the particular area. In our case, it is in Philadelphia. What we do is give the Motor Transport Labor Relations, the MTLR, a power of attorney to negotiate for you.

Senator CURTIS. Is it a voluntary association?

MR. SCHWARTZ. Yes, it is.

Senator CURTIS. Of management?

MR. SCHWARTZ. Of management.

Senator CURTIS. Who were the members?

MR. SCHWARTZ. The members? I would say anyone in the trucking field in the Philadelphia area, and they could be in any number of lines of trucking.

Senator CURTIS. Is it the truckowners or the stores?

MR. SCHWARTZ. They could be truckowners, public carriers, they could be contract carriers, and they could be individual stores.

Senator CURTIS. It is an association?

Mr. SCHWARTZ. That is right.

Senator CURTIS. Were the members bound by contract to act in unison and not deal directly with the union?

Mr. SCHWARTZ. I would say that they are bound by contract.

Senator CURTIS. With each other?

Mr. SCHWARTZ. That is right.

Senator CURTIS. When did you withdraw from the MTLR?

Mr. SCHWARTZ. We withdraw in the latter part of 1956, when we started—not we, I mean the food people all withdrew and started their own association.

Senator CURTIS. The latter part of 1956?

Mr. SCHWARTZ. That is right.

Senator CURTIS. These negotiations that Mr. Kennedy was inquiring about, what year were they for?

Mr. SCHWARTZ. The negotiations took place in the latter part of 1954 for the years 1955 and 1956. Then the 1956 negotiations took care of 1957 and 1958.

Senator CURTIS. The contract period with the teamsters is the calendar year?

Mr. SCHWARTZ. The calendar year, that is right.

Senator CURTIS. What arrangements were followed after you withdrew from MTLR?

Mr. SCHWARTZ. Then a new group was formed called the Food Employers Labor Relations, Inc., and that was comprised of, I think there are 28 companies, all in the food field, all with common problems in the food field.

Senator CURTIS. They were food stores?

Mr. SCHWARTZ. Food stores, cooperatives, wholesalers, chainstores, but all in the food field.

Senator CURTIS. What did that group call themselves?

Mr. SCHWARTZ. Food Employers Labor Relations.

Senator CURTIS. Did they then bargain for all the members?

Mr. SCHWARTZ. They bargained for all the members.

Senator CURTIS. Are the members of this latter association bound to each other to act in unison in their bargaining and not deal individually?

Mr. SCHWARTZ. Yes, they are.

Senator CURTIS. For how long a time had Food Fair had unlimited trailer drops?

Mr. SCHWARTZ. We had had it since we went into our own trucking operation, I would say in the middle of 1949.

Senator CURTIS. And your company resisted a change in that?

Mr. SCHWARTZ. Resisted a change?

Senator CURTIS. Yes.

Mr. SCHWARTZ. In what respect, Senator?

ing about, what year were they for?

Senator CURTIS. What is that?

Mr. SCHWARTZ. In what respect?

Senator CURTIS. In your negotiations, your position was you wanted that continued?

Mr. SCHWARTZ. Absolutely.

Senator CURTIS. What other food concerns belonging to the association had similar unlimited trailer drops?

Mr. SCHWARTZ. That is in the——

Senator CURTIS. Prior to these negotiations in the latter part of 1954.

Mr. SCHWARTZ. There were four companies, Penn Fruit Co.—

Senator CURTIS. What fruit company?

Mr. SCHWARTZ. Penn Fruit, Food Fair, Best Market, and Montgomery Co.

Senator CURTIS. Did they all get to keep them?

Mr. SCHWARTZ. Pardon me.

Senator CURTIS. Did they all get to keep it?

Mr. SCHWARTZ. In the contract; yes. In the 1954 contract, they continued their method of operation.

Senator CURTIS. In other words, the concerns that had the unlimited drops got a contract to keep them. Did any concerns who had had a limited number of trailer drops at the time of negotiations gain the right to unlimited drops?

Mr. SCHWARTZ. Well, those who had the operation of the drops, unlimited, as you stated, continued that operation. However, several other companies picked up drops, who had never had them before.

Senator CURTIS. By that you mean unlimited drops?

Mr. SCHWARTZ. No. They picked up a fixed figure of 50 drops for the American Stores and 50 drops for the A. & P. Tea Co., with a right to review and get a sympathetic hearing after 6 months after the new contract went into effect.

Senator CURTIS. They did not have any drops?

Mr. SCHWARTZ. They did not have any drops; that is right. Those who had the continuation of their old method of operation then had to put on some helpers, and the helper picture was worked out on a proportionate basis.

Senator CURTIS. Were the ultimate terms arrived at in the 1954 negotiations handled through MTLR?

Mr. SCHWARTZ. Which negotiations?

Senator CURTIS. 1954?

Mr. SCHWARTZ. Was the ultimate? Yes.

Senator CURTIS. It was.

Mr. SCHWARTZ. Yes.

Senator CURTIS. What was the nature of the contract among the members of MTLR, whereby they were bound to each other not to deal directly with the union?

Mr. SCHWARTZ. Do you mind repeating that again, Senator.

Senator CURTIS. Mr. Reporter, will you read the question?

(The pending question, as requested, was read by the reporter.)

Mr. SCHWARTZ. I think in a labor negotiation all of us try to help as much as we possibly can to come to a consummation and an agreement, and we try to use everything we can to come to an agreement, everybody's ideas and everybody's thoughts and everybody's exchange of views.

It was pretty imminent that there may be a work stoppage.

Senator CURTIS. What I am trying to get at is what sort of a contract you had with each other.

Mr. SCHWARTZ. The only contract we had with each other—we had no contract except the power of attorney to the labor relations division of the Pennsylvania Motor Truckers' Association. It was power of attorney.

Senator CURTIS. Was that power of attorney to sign a bargaining contract?

Mr. SCHWARTZ. To negotiate the contract, that is right.

Senator CURTIS. Was it an exclusive power of attorney?

Mr. SCHWARTZ. I would think it was, yes.

Senator CURTIS. You think it was?

Mr. SCHWARTZ. Yes, sir.

Mr. SHAPIRO. Could I help you. I found out that there is a bylaw plus the power of attorney, which I am told by counsel for the organization——

Senator CURTIS. There is what?

Mr. SHAPIRO. Bylaws and the power of attorney both, which provide for the company acting solely for all of the members, and their members being bound by it.

Senator CURTIS. The association?

Mr. SHAPIRO. Yes, the bylaws of the association plus the power of attorney which each member gives to the association to negotiate for it.

Senator CURTIS. Does it prohibit conversation?

Mr. SHAPIRO. I have asked that a copy be procured if possible so we can submit it to you.

Senator CURTIS. Do you know whether it prohibits conversation between a member and the union?

Mr. SHAPIRO. I will find that out. It does not prohibit conversations between a member and the union during negotiations. That is what I am told by counsel for the association.

Senator CURTIS. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Does it prohibit separate negotiations?

Mr. SHAPIRO. Yes, it does.

The CHAIRMAN. It does prohibit separate negotiations?

Mr. SHAPIRO. Yes.

The CHAIRMAN. The purpose of working through the MTLR is so that you can engage in, in a sense, collective bargaining on the part of management as you engage in collective bargaining on the part of the union, or the laborers. That is the purpose of the association, is it not?

Mr. SCHWARTZ. Yes, sir.

The CHAIRMAN. That is the purpose of that kind of an arrangement, so you will all have an equal chance?

Mr. SCHWARTZ. That is essentially correct.

The CHAIRMAN. Is there anything further?

The Chair thinks that we should call, or I would like to call Mr. Cohen.

Mr. LUCAS. Can I submit to you two questions to ask this witness?

The CHAIRMAN. I would like to get this matter of the economic advantage cleared up.

Mr. SHAPIRO. He is available.

The CHAIRMAN. We will call him in a few moments.

Counsel for Food Fair has submitted two questions. I see no objection to them.

Do you wish to see them, Senator Curtis?

(A document was handed to Senator Curtis.)

Mr. LUCAS. I hope you can read my writing, Senator.

Senator CURTIS. I have no objection.

The CHAIRMAN. The Chairman propounds to the witness questions submitted by his counsel. Question No. 1: Did Food Fair Stores have any objection to other competitors having as many drops as they wanted insofar as their contracts were concerned?

Mr. SCHWARTZ. We have no objection whatsoever to any number of drops that any competitors would have, because we think it is a progressive step, and whatever is good for a competitor is good for us, and I think it makes for progress, and eventually any efficiencies out of it would be passed on to the consumer.

The CHAIRMAN. You were not trying to keep others from getting drops, and you were simply trying to keep unlimited that privilege that you had enjoyed theretofore?

Mr. SCHWARTZ. You are absolutely right.

The CHAIRMAN. Now, question No. 2: Did you or any of Food Fair executives make any objection of any kind whatsoever as to any of your competitors having more drops than was called for under its respective contract?

Mr. SCHWARTZ. We never made any objections, and we would never make any.

The CHAIRMAN. Did you know what they got?

Mr. SCHWARTZ. Did I know what they got, surely.

The CHAIRMAN. Did they know what you got?

Mr. SCHWARTZ. Absolutely.

The CHAIRMAN. At the time or did they find it out later?

Mr. SCHWARTZ. Absolutely at the negotiations.

The CHAIRMAN. At the time of the negotiations?

Mr. SCHWARTZ. Yes, sir.

The CHAIRMAN. Was any explanation given? We have asked this of these others who didn't get the drops, what explanation was given why they shouldn't have the drops.

Mr. SCHWARTZ. Well, I don't think any explanation was there, except from the other side of the bargaining table, which was the union, no doubt, might frown a bit, because if you have drops you may eventually eliminate men from working, where you may have had two on a truck, and you may come down to one.

The CHAIRMAN. They would have more objection in that respect to you, wouldn't they, having any drops at all?

Mr. SCHWARTZ. That is right.

The CHAIRMAN. Than they would those who had a smaller operation?

Mr. SCHWARTZ. That is correct, and they did.

The CHAIRMAN. So they surrendered, in effect, their major objection in order to retain the minor benefits?

Mr. SCHWARTZ. Well, I don't know.

The CHAIRMAN. If they object to drops, and if it is liable to effect the employment of men or union membership, the number of union members, then they would necessarily have greater objection to the larger operation than they would to the smaller?

Mr. SCHWARTZ. Not entirely.

The CHAIRMAN. Well, if you are doing 2 or 3 times as much business as your competitors, then you are employing possibly 2 or 3 times as many people, and getting 2 or 3 times as many shipments in, isn't that correct?

Mr. SCHWARTZ. That is correct.

The CHAIRMAN. Well, if they are going to give free drops at all, it would hurt them worse to give free drops to the one that is doing the biggest business than it would to give it to the one doing the smaller business and having the smaller number of employees, isn't that correct?

Mr. SCHWARTZ. That is logical.

The CHAIRMAN. That is logical?

Mr. SCHWARTZ. Yes, sir.

Mr. KENNEDY. Mr. Chairman, as there has been a question raised as to the right of the member of the association to go ahead and carry on his negotiations or carry on conferences with representatives of the union, I would like to call the attorney for the MLTR around to just ask him that question. He is Mr. Segal.

Senator CURTIS. Could I ask the witness who is here one question?

The CHAIRMAN. Yes, sir.

Senator CURTIS. Well, isn't the question of whether you use drops at all or how many, a management decision? It doesn't relate to wages or hours.

Mr. SCHWARTZ. It should be.

Senator CURTIS. Or working conditions or pension or welfare funds?

Mr. SCHWARTZ. It is a negotiable item.

Senator CURTIS. A negotiable item?

Mr. SCHWARTZ. Yes.

Senator CURTIS. I can't understand that.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Segal, will you come around, please?

STATEMENT OF BERNARD G. SEGAL

Will you be sworn?

Mr. SEGAL. It is only a matter of law.

The CHAIRMAN. You may express an opinion.

Mr. KENNEDY. I wanted to find out from you what the situation was as regards to a member of the association going ahead and conducting discussions or negotiations while the MLTR was in the midst of negotiations with the union.

Mr. SEGAL. First to reply to that category, there was an absolute rule that while contract terms were being negotiated, no member was to have any contact with any union representative pertaining to any matter involved in the negotiations.

When negotiations began, the members were assembled and reminded of this rule. Every meeting during the course of negotiations, the same admonition was again made. We considered it as essential that individual employers not speak with union representatives as I am sure the union negotiators considered it essential that their individual members not talk with management representatives about matters which went on at either meeting.

Mr. KENNEDY. Could you explain to the committee what the reason for that would be? Would it be that it would undermine all of the work of the association, if the individual members went behind their backs and conducted these negotiations?

Mr. SEGAL. Yes; I think it is an established principle on both sides of a negotiating table that out of a united front comes strength. Out of a single negotiation, or a single group of people, who speak for the people they represent, being sure that when they speak they are the only spokesmen, comes the confidence that the negotiations will be for the benefit of all.

Now, each side, of course, and I will speak now only for management, has regular resource, first to its general membership and second to a negotiating committee which in our case consisted of 42 members in which every segment of the industry was represented.

For example, the food group had a representative selected by the members of the food industry who spoke for the food group on the negotiating team. So the carriers were divided into segments of the country. There were the Western carriers, who had selected their representatives, and there were the New England carriers, and so also the coal and fuel oil dealers had their representative.

The course of negotiation then was as follows: First there was a general membership meeting at which the entire membership was advised of what was transpiring. At regular and at frequent intervals, there were contacts between the negotiating team and this large negotiating group of 42 representatives of the entire industry.

When we got down to the end of the negotiations, then there were periods during which the negotiating team would stand by at the association offices a few blocks from the union offices. As problems of particular groups arose—as, for example, the food group—they were actually drawn into the negotiations as an entirety and permitted to participate while their own problem was under consideration.

But the fundamental of it all was that there were to be no discussions not actually in the negotiating group between individual members and the union.

Mr. KENNEDY. So this testimony that we have heard from the representatives of Food Fair that these negotiations were conducted by an attorney of theirs was a violation, a strict violation, of the agreement between the association and its members.

Mr. SEGAL. If there were actual negotiations.

Mr. KENNEDY. I said according to his testimony.

Mr. SEGAL. That would have been a violation of what we regard as the obligation of members.

Senator CURTIS. Now, Mr. Chairman, you are talking about obligations of members.

The CHAIRMAN. Let the Chair make this observation: I do not think that we have dealt with matters of law at all here. I think that we are dealing with facts. I do not care if you do not want the sworn testimony, but I am sure you would say the same thing under oath.

Mr. SEGAL. I am quite sure of that.

The CHAIRMAN. I do not think that we are talking about legal matters.

Mr. SEGAL. That is because Mr. Kennedy asked me the procedure. The interpretation of the bylaws, and the power of attorney is the matter of law to which I had reference.

The CHAIRMAN. Of course, it would be a legal opinion, and according to your judgment as a lawyer, and as a lawyer for that association

or group, you say an individual business involved in the negotiation had no right under the bylaws and under the power of attorney to negotiate on the side while those negotiations were in progress?

Mr. SEGAL. That is correct, and I may say that I have never heard the company to which reference is made question that in any of our meetings, and I would doubt whether the company would question that.

The CHAIRMAN. All right.

Senator CURTIS. I am not clear in my own mind yet about this. I can understand the arguments that would be advanced for such a policy and for such a rule, that one agency speak for all, but what I want to know is the elements in the contract that they were compelled to follow that policy.

Mr. SEGAL. Senator, as each member joined the corporation, and there has been some reference to this being Motor Transport Labor Relations of the Pennsylvania Motor Truck Association. That is not correct. This is a separate corporation, Motor Transport Labor Relations, Inc. It is bound by articles of incorporation and bylaws. Those bylaws make provision for the association being the exclusive bargaining agent for collective-bargaining agreements for its members.

Further, each company, as it joins the corporation, and becomes a member—this is a nonprofit corporation—signs a power of attorney which expressly provides that the corporation shall be the exclusive bargaining agent for the company in the negotiation of collective-bargaining agreements.

Senator CURTIS. Now, suppose a company, and we make it a hypothetical company, belongs to your nonprofit corporation. Can they withdraw and withdraw their power of attorney at any time.

Mr. SEGAL. Yes. There are, Senator, limitations, but I don't think that they are here applicable.

Senator CURTIS. And suppose a company does proceed to negotiate in its own right, what remedy do the other members of your nonprofit corporation have against them?

Mr. SEGAL. I believe none. I believe that the corporation retains that right, remaining subject to the current collective-bargaining agreement until its expiration. Otherwise, there is no penalty either on the company or any right in the other members. Any company would have had the right during the negotiations to have withdrawn had it so desired.

Senator CURTIS. Without formally withdrawing, if they proceeded to negotiate, would the MTLR or the individual members have a cause of action against the member that did that?

Mr. SEGAL. General common law rules would apply, Senator.

Senator CURTIS. What is that?

Mr. SEGAL. Well, I presume if people have an agreement and a member violates the agreement, and the other members can prove damage, they would have a cause of action, but I know of no such suit in the collective-bargaining field in the American jurisprudence.

Senator CURTIS. They would have to prove they were damaged?

Mr. SEGAL. They would have to prove actual damage, and that would be the sole amount of recovery. It is because of the difficulty, I presume, of proving damage, that there has never been such a suit that I know of.

Senator CURTIS. Now, what does the contract arrangement provide concerning conversations with the union by a member?

Mr. SEGAL. Now, I take it, Senator, that you mean——

Senator CURTIS. I am referring to the contract.

Mr. SEGAL. You mean the power of attorney?

Senator CURTIS. Yes, and I am referring to discussions which relate to the subject matter of collective-bargaining proposals, but I am calling them conversations because they do not formally finalize them in collective bargaining.

Mr. SEGAL. There is no express provision in either the bylaws or the power of attorney to that specific effect.

Senator CURTIS. In other words, a member company might join MTLR, and given their power of attorney, and if they saw the union officials and put up an argument for something they thought ought to be included, but if they didn't actually formalize negotiating on it, that is not expressly prohibited?

Mr. SEGAL. I am sorry. There was some speaking behind me, and I didn't hear your question.

Senator CURTIS. I will do my best to restate it. Suppose that a company that does belong to MTLR and has been given their power of attorney, in the period while negotiations are going on contact the union and put up an argument for some of the things that they think ought to be put into the contract, but they do not separately negotiate a contract, is such a procedure prohibited either by the power of attorney or by the bylaws?

Mr. SEGAL. I would say by implication it is. What gives me pause is when you designate it as not being negotiation. Realistically, anything that an employer says to a union during the negotiations affects the negotiations, in our view.

We would prefer and have really applied a strict rule that any member desiring to have that kind of access, come to the negotiating committee and we have never denied such access to any group or any particular interest which or who thought it might be desirable to have direct access to the union. It has not been at all unusual for us to say to the union, we think such and such an interest ought to present itself on view directly, but that is done under the aegis of the association, and it is done in a way that it cannot adversely affect any other member because association representatives are present.

We would no more think of having private discussions with union members not negotiators than we would like to have our members have private negotiations with them.

Senator CURTIS. That is all.

The CHAIRMAN. Thank you very much.

Mr. KENNEDY. That is all.

The CHAIRMAN. Call the next witness.

Mr. KENNEDY. I would like to call Mr. Gannon and Mr. Clark.

The CHAIRMAN. Do you and each of you solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CLARK. I do.

Mr. GANNON. I do.

TESTIMONY OF JAMES P. CLARK AND U. F. GANNON, SR., ACCOMPANIED BY THEIR COUNSEL, BERNARD G. SEGAL AND JAMES J. LEYDEN

The CHAIRMAN. Beginning on my left, state your name and your place of residence and your business or occupation.

Mr. GANNON. My name is U. F. Gannon, Sr., and I live at 4 Meridith Road, Overbrook, Philadelphia, Pa.

The CHAIRMAN. What is your business or occupation, please?

Mr. GANNON. I am a freight forwarder and in the warehouse business and local trucking business.

The CHAIRMAN. Thank you very much; and the gentleman on my right?

Mr. CLARK. My name is James P. Clark, and I live in Chancerville, Philadelphia, and I am president and owner of the Highway Express Lines Trucking Co. in Philadelphia.

The CHAIRMAN. Thank you very much. Gentlemen, do you have counsel?

Mr. SEGAL. I am Bernard G. Segal, 1719 Packard Building, Philadelphia, and I have asked my associate, James J. Leyden, to be with me since he has the files and he is familiar with them should any questions necessitate recourse to the files.

The CHAIRMAN. Thank you very much. Proceed.

Mr. KENNEDY. Mr. Gannon, you held a position in the MTLR?

Mr. GANNON. Yes, sir.

Mr. KENNEDY. What was that position?

Mr. GANNON. I am vice president and treasurer.

Mr. KENNEDY. And part of that group included the food chains; is that right?

Mr. GANNON. That is right.

Mr. KENNEDY. And now Mr. Clark, you also held a position?

Mr. CLARK. I am president of the MTLR.

Mr. KENNEDY. How long have you held that position?

Mr. CLARK. 20 years.

Mr. KENNEDY. You are familiar with the negotiations that took place in 1954?

Mr. CLARK. Up to the last day, at which point I took a spell the night before, and I didn't attend the last day's negotiations.

(At this point, the following members were present: Senators McClellan and Curtis.)

Mr. KENNEDY. But you were conducting the negotiations together with Mr. Gannon and with the help of Mr. Segal on behalf of the food chain group; is that right?

Mr. CLARK. That is correct.

Mr. KENNEDY. And those negotiations had taken place during part of November and December 1954?

Is that correct?

Mr. CLARK. That is right, about the middle of December.

Mr. KENNEDY. Was one of the issues with which you were arguing with the representatives of the union the question of the trailer drops?

Mr. CLARK. That is correct.

Mr. KENNEDY. Was that an important issue?

Mr. CLARK. That was important both to the Food Fairs and to the general freight carriers.

Mr. KENNEDY. Did all of the food companies look upon this question of a trailer drop as an important financial matter?

Mr. CLARK. Of course they did.

Mr. KENNEDY. And that included Food Fair, did it not?

Mr. CLARK. Yes.

Mr. KENNEDY. Everyone considered that to get a trailer drop was a financial advantage, is that right?

Mr. CLARK. Of course.

Mr. KENNEDY. Were you attempting to obtain, during the negotiations that led up to the signing of this agreement, were you attempting to obtain equality for all the food chains in regard to this question of trailer drops?

Mr. CLARK. We were trying to gain equality for not only the food people but also for all the general truckers that needed it. That was one of the important issues of the negotiations that year.

Mr. KENNEDY. You were attempting to obtain the same terms also on this matter of trailer drops for all of the companies involved, is that right?

Mr. CLARK. That is correct.

Mr. KENNEDY. You were not attempting to try to get a contract for so many trailer drops for one company and fewer trailer drops for another company?

Mr. CLARK. Of course not.

Mr. KENNEDY. Did you feel that that would have been unfair?

Mr. CLARK. Sure it would have been unfair.

Mr. KENNEDY. What was the position of the union in connection with the trailer drops?

Mr. CLARK. The union wanted to eliminate the trailer drops.

Mr. KENNEDY. For everyone?

Mr. CLARK. For everyone that year.

Mr. KENNEDY. So this was a matter of negotiation where you, representing these companies, and the union officials, were at variance, is that right?

Mr. CLARK. That is correct.

Mr. KENNEDY. Was this such a serious matter, this and possibly some other issues that were under consideration, were these such serious matters that you were considering suggesting to the food companies that they take a strike on the matter?

Mr. CLARK. Not only the food companies.

Mr. KENNEDY. I am restricting it to the food companies.

Mr. CLARK. Yes; we were leaning toward a strike because we didn't think we could get what we were striving for. We called the food companies together 2 or 3 times during the last week and told them it looked like we were not going to get it, and that we were willing to go the distance with them and go on strike, if necessary.

Mr. KENNEDY. This would be the week of early December 1954, is that right?

Mr. CLARK. The first week in December starting about 10th of December, I believe.

Mr. KENNEDY. I see.

The CHAIRMAN. You said go on strike. You meant take a strike if one came, is that what you meant?

Mr. CLARK. If we were forced to it; yes.

The CHAIRMAN. You were not going on strike.

Mr. CLARK. Well, what I mean by that is what usually happens.

The CHAIRMAN. Risk a strike.

Mr. CLARK. Risk a strike.

Mr. KENNEDY. This was not an issue which you were getting ready to back down on, is that right?

Mr. CLARK. No. We told them that.

Mr. KENNEDY. In order to have a successful strike you would have to have agreement amongst all the food chains?

Mr. CLARK. We would have to have agreement among all our members, of which we have about 300.

Mr. KENNEDY. They had to be in agreement that they would take a strike. Otherwise, it would be a great financial loss to those who went out on strike and there still remained those in business.

Mr. CLARK. It would not work unless we had solid agreement.

Mr. KENNEDY. You had to have all of them in on it?

Mr. CLARK. Of course.

Mr. KENNEDY. So were you feeling these various companies out at that time to see if they were amenable to taking a strike?

Mr. CLARK. Yes; we were.

Mr. KENNEDY. Was there a rumor around at that time, or was there a feeling, not a rumor, that one of the companies was conducting some negotiations behind your backs?

Mr. CLARK. I did not know at that time.

Mr. KENNEDY. Did you learn of it subsequently?

Mr. CLARK. I heard of it; yes.

Mr. KENNEDY. Did you know of it, Mr. Gannon?

Mr. GANNON. On Friday, December 17.

Mr. KENNEDY. You learned the fact that some secret negotiations had taken place?

Mr. GANNON. That is right.

Mr. KENNEDY. Let me find out. When you were feeling the various companies out as to whether they would take a strike or not, what was the feeling that you found from the representatives of the company?

Mr. CLARK. As I recall, we called three meetings during the last week, one on a Friday, about the 10th of December. One on the following Tuesday, about the 14th, and the 17th, the one which I did not attend. It was the last meeting prior to the close of negotiations that week, because the following week was Christmas. We talked to the food groups. There was some doubt in their mind that they would stick together.

Mr. KENNEDY. Did that come from any particular area or from any particular company that you remember?

(The witness conferred with his counsel.)

Mr. CLARK. Yes. I believe it shows in the minutes exactly what happened.

Mr. KENNEDY. Can you summarize that? Do you remember what it was?

Wasn't there a question raised about Food Fair at that very time?

Mr. CLARK. Mr. Hein was the chairman of the food group at that time.

I will read the minutes.

Mr. KENNEDY. All right.

Mr. CLARK. "I represent the food group," he said.

Every important segment of the industry attended today's meeting. There were eight people present, A. & P. was not present because the proper people had to be represented in New York. Food Fair was present, but the man representing had to go back to the main office for further instructions. Everyone there gave his word of honor that his company had not told 107 they would not accept its—that they would accept its present demands.

Mr. KENNEDY. I will read that over again.

A. & P. was not present because the proper people had to be represented in New York. Food Fair was present but the man representing had to go back to his main office for further instructions.

Mr. CLARK. That is correct.

Mr. KENNEDY (reading):

Everyone there gave his word of honor that their company had not told local 107 they would accept the present demands. All committed themselves except Food Fair that those present would stand firm if all would agree. The group would not stand on wages alone and suggested that we explore a method of paying the union whenever a box is dropped as long as it did not transgress the principle. Food Fair said that if A. & P. was in line, Food Fair and Best Markets would be in line also.

Mr. CLARK. That is correct.

Mr. KENNEDY. Then Mr. Barden said—

I represent American Stores. If we can get unionism in the food industry, we will feel that principles force us to take a strong position. If our competitors fold, they will force us to fold. However, American Stores will stand firm until our competitors fold. We believe we can get strong support from Penn Fruits, but I have a question about Food Fair and Best Markets. Penn Fruits said if Food Fair folded then Penn Fruit must fold.

So there was some question at that time as to what was going on with Food Fair?

Mr. CLARK. That is correct.

Mr. KENNEDY. You got sick, did you, about this period of time?

Mr. CLARK. After we had these meetings with the food people, and it looked like our lines were weakening, we called another meeting before I got sick, for Friday, the 17th, I believe it was.

(The witness conferred with his counsel.)

Mr. KENNEDY. You were not present at that meeting?

Mr. CLARK. No.

(The witness conferred with his counsel.)

Mr. CLARK. We had two meetings, Friday, Tuesday, and the following Friday.

Mr. KENNEDY. You were not present?

Mr. CLARK. The following Friday, I took sick on Thursday night and I had to go to bed, and although I called the meeting for that Friday for a deadline showing.

Mr. KENNEDY. For a deadline to see whether they would stand up for a strike. You went, Mr. Gannon, representing the MTLR?

Mr. GANNON. When Mr. Clark was taken sick, I was the only one there, and I got ahold of our directors and asked them what to do, because we had missed one of our main men.

He was the main negotiator. They said for me and Mr. Mathews to go over and do the best thing we could do. My office is not far from 107. I walked over there and the food group was all assembled

in there. We got in there and they had been talking I don't know how long. After some time Ray Cohen——

Mr. KENNEDY. At that time were you urging on them that they should stand fast.

Mr. GANNON. Certainly. I am not for strikes, but that was 1 year that I wanted to take a strike, because I felt that the money we had to pay was considerable, and that this was the time, if we are going to fight, we ought to fight it.

Mr. KENNEDY. Did they indicate during this meeting that they would stand fast?

Mr. GANNON. They indicated they would stand fast.

Mr. KENNEDY. At the beginning of the meeting?

Mr. GANNON. Yes.

Mr. KENNEDY. Did you say Raymond Cohen spoke to you?

Mr. GANNON. Mr. Raymond Cohen spoke to me and said "Hughie, let's you and me go into my office. I want to talk to you."

That has happened time and time again on different matters over the years. After all, I have been 23 years in this labor relations. So I went into the office with Ray. He sat down and he said "Hughie, I don't want to let it get you and Jim Clark embarrassed, but the food group are not going to stick with you."

Mr. KENNEDY. What did you say to that?

Mr. GANNON. I said "Ray, you are crazy. We just walked out of there and everybody was solid."

So he says "O. K., I will prove it to you," he says. "I am now going to call up Food Fair," and he mentioned to me Mr. George Friedland, who I did not know from Adam.

He dialed the telephone.

Mr. KENNEDY. Did he suggest to you that you get on another phone at that time?

Mr. GANNON. No, I was sitting there in the office with him. He never lied to me. I just took his word that he dialed. He dialed and I could hear somebody talking and he said "I have now Mr. Hugh Gannon, one of the negotiators in here. Are you going to go through with what you said the other day or whenever it was that you don't want any strike, you want to keep your drops the way you have them, and for that I am going to get 20 extra men?"

By that time, I was boiling when I got through that telephone conversation, because there we were sitting in with a group that were supposed to stick, and out I walked, and Mr. Cohen had asked me——

Mr. KENNEDY. Wait a minute. He said on the telephone or described the fact to this voice on the other end of the phone?

Mr. GANNON. Yes. I missed something there I forgot to tell you. Before he got off the telephone, he put his hand over the telephone, and I said to Ray, "What are you going to do with the representative of Food Fair that is in there now because evidently he doesn't know anything about this?"

Then whoever he was talking to, he said, "In about 10 or 15 minutes he will be called out of that room and told what to do."

Mr. KENNEDY. So Cohen explained to this person he described as Friedland, he explained the whole deal of giving unlimited drops to Food Fair with the 20 extra helpers?

Mr. GANNON. That is what he was going to gain, the 20 extra helpers.

Mr. KENNEDY—

This is the deal we have made, and aren't you going to go through with it?

Mr. GANNON. That is right.

Mr. KENNEDY. He said that one the phone in your presence?

Mr. GANNON. That is right.

Mr. KENNEDY. And he turned to you and said, "Now are you going to believe me?" And you raised the question about the man in the next room?

Mr. GANNON. Yes.

Mr. KENNEDY. Who was the man in the next room?

Mr. GANNON. Mr. Schwartz.

Mr. KENNEDY. He was there conducting the negotiations?

Mr. GANNON. Certainly.

Mr. KENNEDY. And you thought or understood from the way he was discussing it, that they were going to stand for a strike; is that right?

Mr. GANNON. That's right.

Mr. KENNEDY. So what did Cohen then say to the man on the telephone?

Mr. GANNON. That in 10 minutes Mr. Schwartz would get orders what to do.

Mr. KENNEDY. That he would receive a telephone call?

Mr. GANNON. That he would receive a telephone call. By that time, I was pretty mad, after thinking of all the work and effort we had put in, especially for the food companies.

Myself personally, I spent hours and hours for them settling their grievances. When I came out, Mr. Cohen had asked me, and this was something confidential. The only reason I am telling it now is because I am on oath here. The first one I run into is Mr. Leyden, and I told him, and he wanted me to go in and tell the group.

I said "Jim, I can't tell that group in there because I am bound under secrecy."

Mr. KENNEDY. But you knew then that a secret agreement had been made between the Food Fair Co. and the union?

Mr. GANNON. That is right. So I said "We will get Mr. Schwartz out here." So we got Mr. Schwartz out. I don't know whether I told him or Mr. Leyden told him that he would receive a call and in about 5 or 10 minutes he received the call. Whatever was said, I don't know. At that time, you must realize I had 35 or 40 men over in the office about a square away. We were doing another deal with what they call the Peninsula deal, which was below Wilmington, that group down there. I was pretty well burned up anyhow.

So I went over to our office and I came back again. Meantime, the food group had stayed together and started to work out their problems. I came back later on.

Mr. KENNEDY. Did Mr. Schwartz make a suggestion after that, then, that the Food Fair Co.—

Mr. GANNON. That they were going to go along with it because they were going to get all their drops, the same drops they had before.

You see, this was the first year—

Mr. KENNEDY. Wait a minute. That they would put on the 20 helpers?

Mr. GANNON. Twenty helpers.

Mr. KENNEDY. He made that suggestion at that time?

Mr. GANNON. That is right.

Mr. KENNEDY. After this telephone conversation?

Mr. GANNON. That is right.

Mr. KENNEDY. That was the agreement ultimately accepted by Raymond Cohen?

Mr. GANNON. That is right.

Mr. KENNEDY. But you were not able to get that agreement for the A. & P. Co., or National Stores?

Mr. GANNON. You will have to realize, Mr. Kennedy, that Food Fair had been a very progressive people. They had a lot of these supermarkets. American Stores didn't have them. They used to have the small stores. They were going to go into it. I said to them, to the union, that I wanted everybody to be treated equal, and what one got, everybody should get.

(At this point, Senator Mundt entered the hearing room.)

Mr. KENNEDY. That is not the way it ended up, is it?

Mr. GANNON. No, it did not end up that way.

It ended up that the American Stores, they felt—well, they could get 75 trailers if they wanted to take that as the first package. Then it was suggested because they would not be able to use the 75, that they use 50 from January 1, and after 6 months they would get sympathetic understanding if they needed more trailers. That is the way the deal was made.

Mr. KENNEDY. Then the three companies—

Mr. GANNON. American Stores made their own choice.

Mr. KENNEDY. Food Fair, Best Markets, and Penn Fruit received unlimited?

Mr. GANNON. In other words, Mr. Kennedy—

Mr. KENNEDY. Is that correct, that they received unlimited?

Mr. GANNON. Whatever they had. I had wanted all the companies to get the same, because they are all paying the same rate.

Mr. KENNEDY. And the other two companies, American Stores and A. & P. only received 50, is that right?

Mr. GANNON. Fifty.

Mr. KENNEDY. You felt during the negotiations—

Mr. GANNON. I felt that they should get all they wanted because they were all paying the same rate.

Mr. KENNEDY. And everybody should be treated alike?

Mr. GANNON. Treated alike; certainly.

Mr. KENNEDY. Did you ever get an explanation as to how Food Fair was able to make this deal with 107?

Mr. GANNON. Do I know how it was made?

Mr. KENNEDY. Yes.

Mr. GANNON. Only from what Mr. Cohen told me, from whoever he was talking to.

Mr. KENNEDY. And Penn Fruit also received the same arrangement. Do you know how that was done? They also received unlimited trailer drops.

Mr. GANNON. What I was trying to explain to you, Mr. Kennedy, was that Penn Fruit and Food Fair were the big chainstores that had all these supermarkets. All these other stores did not have it.

In fact, Mr. Cohen was not going to give anybody any drops starting in 1955. No food store was going to get them.

Mr. KENNEDY. Penn Fruit had a contract with a different union, did they not?

Mr. GANNON. What did you say, Mr. Kennedy?

Mr. KENNEDY. Penn Fruit had a contract with a different union?

Mr. GANNON. Yes, 929.

Mr. KENNEDY. So Mr. Cohen as 107 was not affected by making this kind of a contract with Penn Fruit, is that right?

Mr. GANNON. Yes.

Mr. KENNEDY. And Best Markets was a relatively minor company?

Mr. GANNON. That is a small company. I want to say at this time, Mr. Kennedy, please, that the food chains themselves made the deal. They tried to throw it on the Motor Transport. We had nothing to do with the 20 men. I want that emphasized, that we had nothing to do with giving those 20 men. In the first place, I would not be a party to it.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Would you explain that 20-man proposition a little bit? What does that mean?

Mr. CLARK. They were going to get 20 extra helpers if they would retain the same number of drops, as I understood it later. They would put on 20 extra helpers.

Senator CURTIS. And how many different companies?

Mr. CLARK. One.

Senator CURTIS. In other words, the Teamsters Union would be called upon to furnish 20 additional employees?

Mr. CLARK. They negotiated with them and received 20 additional employees, with a right, as I understood it, to keep the trailer drops they had.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. Is that what caused the contract to be made under those terms, the fact that Food Fair had made this side deal?

Mr. CLARK. I don't know how to answer that, Senator, except to say the food people, of course, weakened our front that we had lined up, and when they wouldn't believe in themselves that they would stick together, then it opened the floodgates as far as we were concerned.

Of course, if you have a break in your lines when you are in the transportation business, you are a dead duck.

The CHAIRMAN. What I am trying to get at is this: Was it Food Fair that broke that line?

Mr. CLARK. As the testimony shows here, reading in the minutes, they are the ones that brought it up.

The CHAIRMAN. This Cohen that you spoke of that did this calling, that called you out of the meeting, who wanted to talk to you, is Ray Cohen?

Mr. CLARK. Ray Cohen. He is the secretary, I guess you call him.

The CHAIRMAN. The secretary-treasurer of local 107, with whom you were negotiating?

Mr. CLARK. That is right.

The CHAIRMAN. He called you off to keep you from getting embarrassed?

Mr. GANNON. He said Mr. Clark and I always treated him fairly, and he wanted to tell me that we had a break in our ranks.

The CHAIRMAN. And he proved it to you.

Mr. GANNON. He proved it to me.

The CHAIRMAN. By calling up Mr. Friedland; is that right?

Mr. GANNON. I don't know. He told me that is who it was.

The CHAIRMAN. You don't actually know who it was?

Mr. GANNON. I don't actually know; no, sir.

The CHAIRMAN. That is, who answered the telephone. He told you it was Friedland?

Mr. GANNON. That is right.

The CHAIRMAN. You heard him say to him, "Are you going to keep that agreement you made with me about the 20 men and unlimited drops?"

Mr. GANNON. That is right.

The CHAIRMAN. You heard that part of the conversation?

Mr. GANNON. That is what he was saying.

The CHAIRMAN. That is what Cohen said, that is what you heard him say?

Mr. GANNON. Yes.

The CHAIRMAN. And that is what they got out of it?

Mr. GANNON. Yes. In other words, they pulled the rug out from underneath us.

The CHAIRMAN. In a few minutes, they called their representative their assisting in the negotiations, Mr. Schwartz, and he changed his position after getting that message, did he?

Mr. GANNON. Yes, sir.

Senator MUNDT. What did Mr. Schwartz say at the time he changed his position?

You were all sitting there, I take it, in a meeting. After he got the phone call, and he came back, what did he say?

Mr. GANNON. They all were still in the room, in the conference room, and I had to leave there. After all, they had a chairman of that group. Mr. Clark was my right-hand man, and he was gone. I was trying to get all the loose ends up because we had worked night and day, and we had worked that particular night until 2 o'clock in the morning.

Senator MUNDT. You were not there when Mr. Schwartz was called out of the room?

Mr. GANNON. Mr. Schwartz was the one that told his own group.

Senator MUNDT. I am trying to put this together in its proper category, in its proper chronology. You said that about 10 minutes after Mr. Cohen called you into his office, Mr. Schwartz was called out of the conference room.

Mr. GANNON. That is right.

Senator MUNDT. Were you there at the time he was called out of the conference room?

Mr. GANNON. I saw him go to the telephone.

Senator MUNDT. Who called him out?

Mr. GANNON. Somebody.

Senator MUNDT. You saw him go to the telephone?

Mr. GANNON. That is right.

Senator MUNDT. Were you there when he talked on the phone?

Mr. GANNON. I was in the building. I did not actually see him.

Senator MUNDT. Were you there at the time he concluded his conversation?

Mr. GANNON. Yes, sir.

Senator MUNDT. Were you there at the time he walked back into the room?

Mr. GANNON. Yes, sir.

Senator MUNDT. Did you hear what he said then?

Mr. GANNON. No, I did not hear.

Senator MUNDT. You said at that time he changed his position.

Mr. GANNON. He changed his position, because it was up to them.

You see, I would not go in and tell anybody anything.

Senator MUNDT. I'm just trying to find out what manifestation was made by Mr. Schwartz that they had changed their position after he talked on the phone. He must have said something to somebody.

Mr. GANNON. He said it to his own group in there.

Senator MUNDT. Then his own group must have said something to somebody else. How did you find out that they changed their position?

Mr. GANNON. They worked it out. He promised they were going to meet there that whole afternoon, because they had their own chairman and everything else, and I had to leave. I came back later on.

Senator MUNDT. I still can't understand how you found out they had changed their position after he made the phone call. That is what I am trying to determine. How did you find out that the phone call changed their position? He must have said something.

Mr. GANNON. It must have been in the room there when they agreed that Food Fair was going to go along without taking a strike. They were going to take and give them the 20 men plus getting the drops again.

Senator MUNDT. Did Mr. Schwartz after the phone call when he returned to the room, did he thereupon stand up and say "We are walk-in out on you. We are going to settle with 20 men. We have changed our mind. We are going home."

What did he say?

Mr. GANNON. No, he went and told them.

Senator MUNDT. Told who?

Mr. GANNON. Told the group there.

Senator MUNDT. His own group, the Food Fair group?

Mr. GANNON. Yes, that is all that was in there. The food group.

Senator MUNDT. Well, the whole food industry was represented?

Mr. GANNON. That is right.

Senator MUNDT. He went back and said to the food industry what? Did you hear him say that?

Mr. GANNON. Yes, that they were going—

Senator MUNDT. What did you hear Mr. Schwartz say to the food group? That is what I want to find out.

Mr. GANNON. That they were going to change their position, that he had his orders, and they were not going to take a strike, and they were going to give 20 men to the union for that.

Senator MUNDT. You heard Mr. Schwartz say that when he got back from his phone call. He said "I am sorry, fellows, but I have my orders, I am going to change our position."

Mr. GANNON. I couldn't say it, Senator, because, I had been under confidence, and I could not go in and open my mouth about it.

Senator MUNDT. I am not talking about you. I am talking about Mr. Schwartz. Of course, that would have been bad news for the other fellows.

Mr. GANNON. That is right.

Senator MUNDT. They must have said something. What did they say?

Mr. GANNON. Well, I left there.

Senator MUNDT. What point did you leave, immediately after Mr. Schwartz made the statement, during the statement, or when?

Mr. GANNON. After he made the statement.

Senator MUNDT. After he made the statement?

Mr. GANNON. Yes; because they had to work out their own details. They had to work out their own details.

Senator MUNDT. Was your partner in the room?

Mr. GANNON. No, sir. He was sick.

Mr. CLARK. I was off that day.

Mr. GANNON. He was off that day, and I was trying to do all these jobs myself.

Senator MUNDT. So you don't know what happened after that. I think I have the picture.

Mr. GANNON. I came back later on, Senator, maybe in a couple of hours, and they were still in the room.

Senator MUNDT. Was Mr. Schwartz still there?

Mr. GANNON. Schwartz was still there. They were all still there. They then started to find out what American Stores could get, and by the time I got back, they had decided to make the best job they could. I went on into the night. As I say, we were there until 2 o'clock in the morning on that and other matters.

Senator MUNDT. What, specifically, did Food Fair get from the union which was not available to the other food companies?

Mr. GANNON. Nothing, only their preference of dropping all their boxes that they were not going to get for 1955, only that they gave in and gave the 20 men. They gave 20 extra men in order to be able to—

Senator MUNDT. Was that an advantage to Food Fair to get 20 extra employees?

Mr. GANNON. Twenty men. They were going to give them 20 extra men.

Senator MUNDT. Did they get the right to fire 20 men or to employ them?

Mr. GANNON. Well—

Senator MUNDT. I can see that firing 20 men would be an advantage, but to hire 20 extra employees wouldn't look like an advantage to me. Maybe you are trying to tell me they got the right to fire 20 people; is that right?

Mr. GANNON. No; they were going to get the right to hire 20 extra men for 1955 and 1956.

Senator MUNDT. Is it hard to get extra men to work if you are willing to pay them?

Mr. GANNON. No; but before they didn't have it, Senator. They didn't have these men. They had no extra men. This was a deal that was made for the 20 extra men.

Senator MUNDT. All right. This is the deal they made. They had a right to hire 20 extra men.

Mr. GANNON. They had to pay a penalty.

Senator MUNDT. None of these other food people could hire extra teamsters? That was their advantage?

Mr. GANNON. They had to pay a penalty of 20 extra men.

Mr. CLARK. Senator, if I may—

Senator MUNDT. I am a little confused. If you can shake me out, it will help.

The CHAIRMAN. Just one moment. Let me help the Senator. He was not here. One of the big issues in negotiation was that Food Fair had been getting all of the drops that it wanted and all that it could use. That ran to around 275, I believe is the testimony. The union did not want to give them these drops. They were all trying to stick together so they would all be treated alike. They have given their power of attorney and were all in the same group. In other words, it was collective bargaining on the side of management as well as on the other side. So Food Fair, according to the testimony, or as it is indicated, when they got to the point where it looked like there would be a strike, they were trying to determine who would stick and who would not.

They all said they would stick. But the unionman calls Mr. Gannon out, who was head of negotiating for all members, and said, "Your lines are broken. They are not going to hold. I am doing this to keep you and Mr. Clark from being embarrassed." He did not believe it. But he calls up Mr. Friedland of Food Fair, or said that was who he was calling, and said to him, "Are you going to keep that agreement you made with me, that you will put on 20 men if we give you all of the drops, the agreement you made with me a day or two ago?"

Then Mr. Gannon asked him, "What about Mr. Schwartz in here who is negotiating, who has been saying they were going to go along?" and Cohen said, "He will get a telephone call in 10 minutes."

After he got the telephone call, according to the testimony, the whole picture changed. So while they were giving 20 men, they were getting, from what the testimony shows, they were getting the advantage of these drops and an economic benefit of from \$18 to \$25.

Senator MUNDT. What the company got or was supposed to have gotten were extra drops and what the union got was the hiring of extra employees.

The CHAIRMAN. Yes, they got the extra men. But this was an agreement, if this testimony is true, which was made outside of the regular negotiation. I think I have stated it correctly.

Mr. CLARK. I think that is right. They retained, all the food group, as we later found out, retained what they had in the way of drops.

Some of them not needing the drops at that time didn't have as much as the others. Then it was worked out with A. & P. and American Stores later, where they would work out on a negotiation basis they would get 50 and in the next 6 months they would get sympathetic consideration on any they may need as the big stores progressed.

Senator CURTIS. Now, by a trailer drop, you mean the practice of going to the place for unloading?

Mr. CLARK. That is right.

Senator CURTIS. Unhooking the tractor part, and leaving the trailer there?

Mr. CLARK. To be unloaded at their convenience.

Senator CURTIS. At the convenience of the receiver of the shipment?

Mr. CLARK. That is right.

Senator CURTIS. Well, do you people regard that as a management decision?

Mr. CLARK. We always did, and it was always considered as such, and that is the reason why they had the trailer drops prior to 1954. Some of the freight operators had them, but on these new negotiations the union wanted to eliminate them, and they had a demand. We did for the freight when the thing broke, but the food people worked out their own problem and agreed to this, rather than go the limit. They agreed to hold what they had.

Senator CURTIS. Well, with the rest of the members of MTLR, you did maintain your contention for unlimited trailer drops?

Mr. CLARK. We were fighting for that, Senator, during the 1954 negotiations.

Senator CURTIS. Did you get it?

Mr. CLARK. No.

Senator CURTIS. For the group other than the food group?

Mr. CLARK. No.

Senator CURTIS. You did not?

Mr. CLARK. No.

Senator CURTIS. Well, I can't see how——

Mr. CLARK. In some cases we got it where a need was shown as between rail and truck lines, where it was competitive, and some need was shown for it. We did work that problem out in some few cases, and it is still open to negotiation.

Senator CURTIS. It seems to me that if the management of the transportation companies and the shipper want to do business that way, it is clearly a management decision, and not a matter that the union would have any right to make any demands on, or would be a proper subject of negotiation.

Mr. CLARK. We gave it everything we had and we didn't get it.

The CHAIRMAN. You felt that way about it, too, didn't you?

Mr. CLARK. Indeed we did.

Senator CURTIS. That is what we want to know.

Mr. CLARK. We will continue to battle over it.

Mr. KENNEDY. I have just a few more matters that I want to ask about this. Under this agreement, the various stores such as Food Fair were to continue with the number of drops that they had at that time; is that right?

Mr. CLARK. That is correct.

Mr. KENNEDY. How many drops did they tell you that they had at that time?

Mr. CLARK. Who?

Mr. KENNEDY. Food Fair.

Mr. CLARK. It was around 280 or 283.

Mr. KENNEDY. Each week, and they would continue to have that number?

Mr. CLARK. That is my understanding.

Mr. KENNEDY. Did the union allow them to take on new drops?

Mr. CLARK. I don't think so.

Mr. KENNEDY. Did you have some information to that effect, that they were allowed to, or that the union didn't even enforce that, and allowed them to take on new drops?

Mr. GANNON. One time I was over at the union——

Mr. KENNEDY. Before we get there, did you get information to that effect?

Mr. GANNON. Yes.

Mr. KENNEDY. And you were able to verify the information that Food Fair was in fact getting even more drops?

Mr. GANNON. When I went over to the union I complained very bitterly about them giving Food Fair more drops and I said, "You gave them at least 20 or 25," and I didn't know the number at the exact time, and one of the business agents was called in, and he said that they had stopped that about a week or so ago, and they were adhering to what their contract was made out for, in 1955, 280 or 283. I complained very bitterly about American Stores not getting their just dues.

Mr. KENNEDY. During that period of time, under the agreement American Stores was to get another 25, or an extra 25, or at least the union was to give them sympathetic consideration every 6 months, and Mr. Cohen refused in effect to give them the extra 25?

Mr. CLARK. We fought against it and we finally worked it out after the first 6 months.

Mr. KENNEDY. It was another year, wasn't it?

Mr. CLARK. Seven or eight months.

Mr. KENNEDY. It was a year after the original agreement?

Mr. CLARK. They would reopen in June for reconsideration, and we did, and we argued about it, and they finally got it the following February.

Mr. KENNEDY. That would be 7 months after they were supposed to get it, a year after the original agreement?

Mr. CLARK. That is right.

Mr. KENNEDY. Then they got an extra 25?

Mr. CLARK. That is right.

Mr. KENNEDY. During this whole period of time, Food Fair and these other 2 companies were receiving 280 plus?

Mr. CLARK. That is right.

Mr. KENNEDY. Now, did you ultimately have some information that some of the other companies were breaking away from the MTLR?

Mr. CLARK. As I reviewed the minutes, I noticed—you mean breaking away from MTLR?

Mr. KENNEDY. Also getting a private attorney to conduct discussions?

Mr. CLARK. No.

Mr. KENNEDY. When was that first brought to your attention?

Mr. CLARK. In 1956. We heard rumors of it in the late summer of 1956, and Ray Cohen told us at one of our meetings, I think in September or October, that he officially received a letter from the food groups they were resigning.

We did have a letter at that time.

Mr. KENNEDY. Who did you understand that they were having represent them at that time?

Mr. CLARK. Same Blank.

Mr. KENNEDY. He is the individual that had represented the Food Fair Co.; is that right?

Mr. CLARK. That is correct.

Mr. KENNEDY. Did you have any conversations, Mr. Gannon, regarding Mr. Blank's representation of the American Stores?

Mr. GANNON. Mr. Blanney Barton, who was on the stand this morning, told me another thing in confidence.

Mr. KENNEDY. When was this?

Mr. GANNON. I cannot place the date, Mr. Kennedy, but I imagine it would be in September or October sometime.

Mr. KENNEDY. Of 1956?

Mr. GANNON. Of 1956. And he told me very distinctly that for 18 months there was something Motor Transport couldn't do, and he finished that up in an hour down there with Mr. Lapensohn sitting in there.

I said, "How do they do it?" and he said they sat there and talked, and in about half an hour or three-quarters, I think it was, Mr. Lapensohn took him out into the hallway and came back.

Mr. KENNEDY. Who did he take out in the hallway?

Mr. GANNON. The stewards.

Mr. KENNEDY. The business agents?

Mr. GANNON. The stewards.

Mr. KENNEDY. And then he came back and Lapensohn came back in and said everything had been straightened out?

Mr. GANNON. That is right.

Mr. KENNEDY. They were able to get something that you couldn't?

Mr. GANNON. It was pretty painful for us to take after all of the work that we certainly tried to do, to think that something could be finished up in an hour. They certainly made us look very bad.

Mr. KENNEDY. That was done with Mr. Blank participating?

Mr. GANNON. I don't know who was in there. He didn't tell me.

Mr. KENNEDY. That is the only thing he told you?

Mr. GANNON. It is another confidence and, of course, I am under oath and I am telling the truth.

Mr. KENNEDY. This is another thing that was related to you; is that right?

Mr. GANNON. That is right.

Mr. KENNEDY. Ultimately, the whole food-chain group left your organization and went over with Mr. Blank?

Mr. GANNON. Some of them didn't want to go because the cost was too high.

Mr. KENNEDY. But they did ultimately go?

Mr. GANNON. They were forced to, and some of the operators that work for A. & P., they had no alternative.

Mr. KENNEDY. Because they had to stay united in these matters; is that right?

Mr. GANNON. Yes, sir.

Mr. KENNEDY. That is the same point, that once Food Fair had made this agreement that they would sign a contract with local 107, there was no possibility of the other food companies going out on strike or taking a strike.

Mr. CLARK. That is right.

Mr. KENNEDY. Because it would not have been possible economically; is that right?

Mr. CLARK. Yes, sir.

Mr. KENNEDY. Once one company caved in, all of the other companies caved in, of necessity?

Mr. CLARK. That is right.

Mr. KENNEDY. I think that that is all.

The CHAIRMAN. Are there any further questions?

All right; thank you very much.

Mr. CLARK. Thank you very much.

Mr. KENNEDY. Mr. Sam Blank.

The CHAIRMAN. You do solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BLANK. I do.

TESTIMONY OF SAMUEL A. BLANK

The CHAIRMAN. State your name, and your place of residence, and your business or occupation.

Mr. BLANK. My name is Samuel A. Blank, B-l-a-n-k. I am a lawyer practicing in Philadelphia, Pa.

The CHAIRMAN. I suppose you waive counsel, do you, Mr. Blank?

Mr. BLANK. I do.

Mr. KENNEDY. You have been practicing how long?

Mr. BLANK. Since 1932.

Mr. KENNEDY. You are a member of the bar in Pennsylvania?

Mr. BLANK. I am, sir, yes.

Mr. KENNEDY. Mr. Blank, you are an attorney that has participated in labor matters, and covered those?

Mr. BLANK. Yes, sir.

Mr. KENNEDY. When did you first meet Mr. Ben Lapensohn?

Mr. BLANK. I have known Mr. Lapensohn I would think somewhere around 13 or 14 or 15 years, somewhere around that time, in a general way like I would know anyone else, and I never knew him particularly well until he came into our office in 1952 and asked us to handle some work for him.

Mr. KENNEDY. He wanted you to do what at that time?

Mr. BLANK. He came in to see us about some representation in the real-estate field, in about 1952.

Mr. KENNEDY. Did you represent him at that time?

Mr. BLANK. Our firm did, Mr. Kennedy, and the work that he wanted us to handle for him was of a real estate nature, and one of the men in the office who handles that work handled the work itself.

Mr. KENNEDY. Did you ever see him in connection with Mr. Cohen, or in connection with local 107?

Mr. BLANK. I did see him in connection with Mr. Cohen, and is there any specific time?

Mr. KENNEDY. Tell me first when you met him in connection with Mr. Cohen, or knew he was associated with Mr. Cohen?

Mr. BLANK. The first recollection I have of it was when I walked into our office one day and saw him in the waiting room with Mr. Cohen and some other gentleman. This was, I would say, some time around November of 1953, shortly after Mr. Cohen had been elected secretary-treasurer of local 107.

I walked over to them and congratulated Mr. Cohen upon his election and asked them what they were doing there, and they said they

were there for the purpose of retaining Thomas McBride as their counsel.

I might add, parenthetically, that at that time Mr. McBride was a tenant of the suite that we were in at 1529 Walnut Street, and we were not associated other than the fact we were both cotenants of the same suite. They were there to see Mr. McBride which they did, and I saw him there at that time with Mr. Cohen.

Mr. KENNEDY. That was at the time that they retained Mr. McBride as their counsel?

Mr. BLANK. Yes, sir.

Mr. KENNEDY. Had they contemplated retaining you first, and did they have any discussions with you?

Mr. BLANK. They couldn't, sir. We have never represented labor unions, and I think people generally knew our firm.

Mr. KENNEDY. Did they approach you first?

Mr. BLANK. Not at all, sir.

Mr. KENNEDY. Did you have any discussions with him after that regarding his association with Mr. Cohen of local 107?

Mr. BLANK. I don't recall anything specifically, no, sir.

Mr. KENNEDY. I showed you these checks and discussed them with you before, but there is a check dated December 9, 1953, \$1,500 from your law firm, I believe, and another check on March 15, 1954, for \$3,000, both made payable to Mr. Benjamin Lapensohn. What was the purpose of those two checks?

Mr. BLANK. As you will recall, sir, when we were visited by members of your staff, we told them about these transactions.

I am prepared to identify them because we gave the photostats to the committee, sir.

Senator MUNDT. Would you identify those checks for the record?

Mr. BLANK. I do, sir.

Senator MUNDT. We will make them exhibits 54A and 54B.

(Documents referred to were marked "Exhibits No. 54A and 54B" for reference and will be found in the appendix on pp. 11181-11182.)

Mr. BLANK. May I proceed? All of the details with regard to that have been fully explained to your committee.

Mr. KENNEDY. Would you explain them to this committee? This is why I asked you.

Mr. BLANK. Mr. Lapensohn came in to see us in 1952 in connection with some real estate investments that he was prepared to make, and asked us if we would handle some work for him. He then was, and I presume still is—

Senator MUNDT. Pardon me. When you say "us" do you mean your law firm as a group, or "us" meaning you and some clients of yours?

Mr. BLANK. I mean my law firm, Senator.

Senator MUNDT. Thank you.

Mr. BLANK. He asked us if we would handle some of this work, and we said that we would. He had at that time and subsequently thereto for some time a number of submissions of desirable investment properties, and these he came in and discussed with members of our firm.

Subsequently thereto he asked us whether or not we did not receive submissions of this type which we would like to have reviewed for clients of ours. It was rather well known in Philadelphia at the time that there were a number of substantial people who were desirous of

investing in real estate and if we analyzed them and approved them and recommended them we could form syndicates which would purchase these properties and it was a rather important segment of our business.

We told him that we would like to have him do some of that work for us, which he did. Some of these trips entailed going out of town, and some of them involved expenses and so forth, and he did this work. We gave our file on this matter, at least to the extent that we had it, to the committee, and they went over it.

In December of 1953 he came in to see us and told us that he had expected, or one of the things we had discussed at the time was that if any of these properties materialized successfully and a syndicate was formed that would purchase them he might become a part owner of the syndicate on a more favorable basis than other investors.

In other words, by putting up less of a share of the investment he would acquire a proportionately larger share than others who had had none of the time that was spent in analyzing and checking, and so forth, and so on.

(At this point the following members are present: Senators McClellan, Mundt, and Curtis.)

None of these things had materialized for him, although things that he had reviewed had been successfully materialized for other clients of ours, and he asked if we would pay him for his work, which, after he told us what he wanted on account, we paid. He continued to do this work, and in March of 1953 came in and asked for this further payment. At that time we felt that since this was a matter which was not fully reimbursable by us to clients, that we would like to call a halt to it.

We then told him that so far as we were concerned we would pay it, but we would prefer to call a halt to it and have no further transactions of that nature, although we would want him to continue to work, if he felt like he desired to do so, but only on the basis that if we could get him into one of these syndicates, fine; and if we could not, there would be no obligation upon us. That, sir, is the full record of the transaction.

Senator MUNDT. Did he continue to work? Did he get into any syndicates?

Mr. BLANK. I beg your pardon?

Senator MUNDT. Did he continue to work and did he get into any of the syndicates?

Mr. BLANK. He did some work after that, but none of the ventures materialized for him, and he subsequently discontinued them and went into his own. He had a half dozen or so transactions in real-estate matters which one of my partners handled for him over the next 3 or 4 years.

Senator MUNDT. When he came to you initially, did he come to you cold, or did you know him before, had he been referred to you by someone, or did he have a reference?

Mr. BLANK. I had known him in a casual fashion, sir, for some years prior thereto, and, although I am sure he retained other counsel for other purposes, we had a rather well-known place in the real-estate field, and I think he consulted us for that purpose.

Senator MUNDT. Was he known to you preceding the arrangements he made with you as a real-estate man or a man that had been in the real-estate business, or was he known to you to have some other occupation or profession?

Mr. BLANK. No, sir; I knew him as a real-estate man. He was quite well known in that field, and had quite substantial properties in that field. We knew him as a real-estate broker. As a matter of fact, in October 1953 he came in to see me and asked if I would buy a property with him, a gasoline station, which I did, and, of course, the committee has full information on that subject, and at that time he filed a statement with the bank in connection with that loan, and it indicated a substantial net worth.

Senator MUNDT. I presume Pennsylvania has a system of licensing its realtors, does it not?

Mr. BLANK. I understood he was licensed as a broker, although in these transactions I don't think he was interested in commissions. He wanted to become a principal and did become a principal in various transactions.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Senator Curtis.

Senator CURTIS. What was the nature of the duties Mr. Lapensohn performed for you?

Mr. BLANK. He would get ahold of the property or a group of properties that we were interested in, and he would go out and see them. Many of them were not located right around the corner from us. They might have been in various places. He would look them over, check the neighborhood, check the property, check the leases, and various other things that were necessarily done in connection with determining whether or not a property was a good one. From our point of view, Senator, it was more important that we do not recommend to a client that they go into a venture, rather than to have them go into one which might be unsuccessfully concluded, because that was something that we were most eager to avoid.

Senator CURTIS. Did he work on a per diem basis?

Mr. BLANK. No; that was not a set arrangement. The original anticipation was that some transactions would materialize in which he would be compensated on the basis that I outlined before. But these did not work out and he was rather disappointed. We were disappointed, too. We would rather have hoped that something would have worked out for him.

Senator CURTIS. But that was a payment from your own funds for his services rendered, is that your statement?

Mr. BLANK. Yes, sir.

Senator CURTIS. That is all.

Mr. KENNEDY. Do you have records for the particular transactions that you paid him this \$1,500 for and later the \$3,000?

Mr. BLANK. Senator, the full record of that file is photostated and with you.

Mr. KENNEDY. But there is no way of determining. That is a group of documents. There is no way in there to determine by reviewing that that he actually performed any services for you and was paid this amount of money?

Mr. BLANK. You are perfectly correct, sir, except there was just nothing else we could have paid him for. That is what we did pay him for.

Mr. KENNEDY. According to the testimony before this committee, and this is why I bring it up, he was greatly involved at that particular time in the campaign for Mr. Cohen, and these two checks are during that period of time when he needed money and Mr. Cohen needed money for his campaign.

I am wondering if any mention of that was ever made when he received this money from you.

Mr. BLANK. He did not mention it to us. What he did with the money, of course, we do not know. Of course, we were in an adversary position with regard to whether we should or should not pay it, and we certainly would not have paid money that we did not have to pay, and we certainly would not have paid any more than we were required to pay.

Mr. KENNEDY. After Mr. Cohen was in fact elected in 1954—as you know, the 1953 election was contested and there was another election in 1954—following his election, were you then retained by the Food Fair Co.?

Mr. BLANK. Yes, sir; we were retained by Food Fair in June of 1954, but as has already been explained to you, sir, the fact that Mr. Cohen was subsequently elected as the head of this union had no bearing in our view on the question as to whether or not we were retained by Food Fair. I think I have mentioned to you that one of my partners had some years before handled a rather important matter for one of the major stockholders of Food Fair. Another one of my partners had been in the tax department of the accounting firm that then did and still does represent and do the accounting work for Food Fair.

The president of Food Fair, who is still the president, had been, prior thereto, vice president and general counsel. When he became president of the company, he found himself no longer as available to his executives as he had been theretofore. It was decided then that they wanted to retain a law firm in Philadelphia that had various integrated services. That is primarily the reason we were retained, at least so far as we know.

Mr. KENNEDY. Did you conduct and handle some of their labor difficulties and problems?

Mr. BLANK. Yes, sir; we did, as well as handle a number of their other problems. We handled their corporate problems, we handled some real estate problems, we handled a number of problems, which we have given you.

Mr. KENNEDY. In these negotiations for the contract in 1954, about which we have had some testimony, did you have some conferences with the representatives of local 107?

Mr. BLANK. Yes, sir; we did.

Mr. KENNEDY. With whom did you have conferences?

Mr. BLANK. With the various business agents. I did not participate in too many of them. I did participate in several at the beginning, but then one of the other members of the office who handles more of that work participated in the continuing work. But I did participate and did handle some of them, sir.

Mr. KENNEDY. How many conferences did you have, approximately?

Mr. BLANK. I would prefer it not to be specific, sir, because, I really do not remember. But certainly more than 1 or 2. Let me put it that way.

Mr. KENNEDY. Who did you meet with?

Mr. BLANK. Usually it was the business agents who handled their work.

(At this point, Senator Curtis withdrew from the hearing room.)

Mr. KENNEDY. Did you discuss the terms of the contract, for instance, on the trailer drops and some of these other matters?

Mr. BLANK. Well, in that period, Mr. Kennedy, the contract was not being negotiated. They were then operating under a contract that was in full force and effect until the end of the year.

Mr. KENNEDY. When the contract was being negotiated—

Mr. BLANK. So there was nothing we could have done. In the negotiations, sir, as you have heard, I did not handle those negotiations. They were handled by the Motor Transport Labor Relations.

Mr. KENNEDY. Did you have some conferences with local 107?

Mr. BLANK. I had one that I told you about, Mr. Kennedy.

Mr. KENNEDY. Just answer the question.

Mr. BLANK. I had one; yes, sir.

Mr. KENNEDY. With whom did you have that?

Mr. BLANK. Raymond Cohen.

Mr. KENNEDY. Where did that take place?

Mr. BLANK. At his office at local 107.

(At this point, Senator Ervin entered the hearing room.)

Mr. KENNEDY. What did you discuss at that conference?

Mr. BLANK. I told him then I was there on a mission to acquaint him with this question of whether or not Food Fair would or would not take a strike. There had been a great number of rumors at that time as to whether or not Food Fair would take a strike because the union had the understanding they would not take a strike.

Incidentally there were several of the other companies that were very lukewarm as to whether or not they would take a strike.

I told him that insofar as Food Fair was concerned, I was there specifically to give him a message, that Food Fair was going to take a strike if they had their drops taken away from them; that they had been operating for years under this method of operation, and they were not going to surrender it. I was there to so advise him.

He did not accept my assurance, he knew that I meant what I said, but he was not as positive that my client felt that way.

But I got across the message that I was there to convey, and we discussed the situation. When I left there, I had the feeling that he did not want any strike any more than our people wanted a strike.

Mr. KENNEDY. Why was it necessary for you to go down there, Mr. Blank, to see Mr. Cohen?

Mr. BLANK. I think my relationship with him was such that if I told him something he would believe that I firmly meant it, and it was necessary at that time in the view of our client that he know.

Mr. KENNEDY. Who specifically asked you or requested you to go down there?

Mr. BLANK. I don't recall specifically, but it was either Arnold Cohen or Julius Schwartz. We discussed the matter together—

Mr. KENNEDY. What was Mr. Arnold Cohen's position at that time?

Mr. BLANK. He was vice president in charge of this operation, warehousing and trucking.

Mr. KENNEDY. And they all felt it was necessary for you to take a trip down there and tell them that the company was going to take a strike in this matter?

Mr. BLANK. Yes, sir.

Mr. KENNEDY. Did you ever discuss the matter with Mr. Lapensohn?

Mr. BLANK. I don't have any specific recollection that I did, but I certainly would have had he been there and available, and because there would have been no reason that I should not discuss it with him.

Mr. KENNEDY. During this period of time did you discuss it with Mr. Lapensohn?

Mr. BLANK. If he was there, and I saw him, I certainly would have. But I don't know.

Mr. KENNEDY. That does not answer the question. Did you?

Mr. BLANK. There is some doubt in my mind as in the minds of others, whether he was in Philadelphia at that time. So I don't know. But had he been there, I would have, positively.

Mr. KENNEDY. What is the answer to the question as to whether you did or did not?

Mr. BLANK. I do not know, sir.

Mr. KENNEDY. You what?

Mr. BLANK. I do not know, sir.

Mr. KENNEDY. During this period of time, were you performing services for Mr. Lapensohn through your law firm?

Mr. BLANK. I don't know whether or not we were doing any at that particular time. The dates and the times that we handled these real-estate transactions for him are not before me. But if there was a real-estate transaction then being handled, it was. But my best recollection is, there was none at that time.

Mr. KENNEDY. Looking at the record here, it would appear that your real-estate transactions that you were handling for Mr. Lapensohn began in November of 1953. Would that be right?

Mr. BLANK. Certainly I know that he came in to see us first in 1952, so I am certain we were doing work for him at that time.

Mr. KENNEDY. The first check is 1630, and it indicates then that the transaction started in November 1953, and continued through 1954, 4 transactions in 1954; 4 transactions in 1955; 5 or 6 transactions in 1956. So this was all during the period of time that Mr. Lapensohn was representing local 107; was it not?

Mr. BLANK. I am sure, sir, with that record before you, you are correct on your dates. I don't have them, of course, clearly fixed in my mind. It would be impossible for me to have that information in my mind.

Mr. KENNEDY. And during this period of time, you knew that he was also representing local 107? There was no question in your mind about that?

Mr. BLANK. When you say representing local 107, there is a question in my mind, because I don't think he had any authority in connection with the matters that we were handling with 107.

Mr. KENNEDY. You knew he was associated with local 107?

Mr. BLANK. I knew he had a position there; yes, sir.

Mr. KENNEDY. Did you also become close personal friends yourselves?

Mr. BLANK. I would say we were not intimate, but we were friendly; yes, sir.

Mr. KENNEDY. He used to come to your home occasionally?

Mr. BLANK. He did; yes, sir.

Mr. KENNEDY. And you would go to his home?

Mr. BLANK. Yes, sir.

Mr. KENNEDY. And you recommended him for one or more of the clubs in Philadelphia; did you?

Mr. BLANK. I do not know, sir. I do not believe I did.

Mr. KENNEDY. Did you recommend him for any of the clubs in Philadelphia?

Mr. BLANK. I do not believe that I did.

Mr. KENNEDY. Are you sure of that?

Mr. BLANK. If you would mention it——

Mr. KENNEDY. The Locust Club, did you recommend him for the Locust Club?

Mr. BLANK. I did not; no, sir. I know he was elected to the Locust Club, but it was not I that did it.

Mr. KENNEDY. You say you were retained in June of 1954 by the Food Fair Co. When were you paid by the Food Fair Co.?

Mr. BLANK. When?

Over a year after we started to do our work, Mr. Kennedy.

Mr. KENNEDY. Was it a contingent arrangement that you had with them?

Mr. BLANK. No, it was not a contingent arrangement, but we did not discuss it, the amount of our fee until after the year was finished so that we would be in a position to more accurately ascertain the nature and extent of the services.

Mr. KENNEDY. I understood from the discussions that I had with the people from Food Fair that you discussed \$15,000 the first year; is that correct?

Mr. BLANK. That is not my recollection.

Mr. KENNEDY. And that you performed so well that they finally agreed to pay you \$20,000?

Mr. BLANK. That's not my recollection, sir. My recollection is that the fee was discussed at the end of the period rather than the beginning.

Mr. KENNEDY. How much did you finally receive from Food Fair?

Mr. BLANK. I suggest to the Chair that the question of what a lawyer charges a client has always been held by the courts to be a matter not subject to public inquiry.

The committee has all of the information on that, Mr. Kennedy. If there is any further that you require, I will be glad to supply it, but I request that the matter not be made a matter of public inquiry.

Mr. KENNEDY. Mr. Chairman, the only question I raise is because of the close relationship that existed between Mr. Blank and Mr. Lapensohn, and because he has played such a prominent role in the hearings, and because these business dealings did go on between Mr. Lapensohn and Mr. Blank, and because of the testimony that we have had here today.

It does become of some interest to the committee.

I would not press the point, but the manner in which the fee was handled, waiting for a period of a year, and finally your being retained by these other companies, are matters that we need to inquire into.

Mr. BLANK. Mr. Kennedy, you know I have indicated to you that in most cases it is our practice, unless required by the client, not to request a retainer fee in advance before we do any work. Most of our work is done with business firms of good reputation. Normally, in the normal and usual course of our business, we wait until the end of a period when we can appraise the nature of our work and send a bill.

Mr. KENNEDY. That is the question I have asked and that is the answer you have given. But these other matters have been of some interest. Whatever the Chair would like will be all right. I will not press it.

The CHAIRMAN. In some instances we have definitely required them to disclose the amount of fee and the purpose for which they were employed. That started back with the precedent when we were investigating in another committee, the 5 percenters, in another administration. It has been required subsequently. The Chair takes this position. I would not require it, except that I definitely knew that it had some importance, that it was a factor in the weight of the chain of evidence that established something very pertinent to the inquiry.

If you will give it to us confidentially first, we will determine later the whole subject.

Mr. BLANK. I wanted to say to the chairman, if I may, that complete information with regard to this voluntarily given to the committee, as all of our records from the beginning to end. All of the information is now in the possession of Mr. Kennedy. If there is anything further required, we will be happy to supply it, sir.

The CHAIRMAN. Very well.

Mr. KENNEDY. You were retained by Food Fair. Were you then approached by another one of the food companies?

Mr. BLANK. I would just like to comment about the coincidence that you are attempting to make, sir—

Mr. KENNEDY. I am not attempting to make anything.

Mr. BLANK. You say were we then approached?

Mr. KENNEDY. I was going to ask you when after you told me the answer first.

Mr. BLANK. May I give the facts as they existed, because I think the committee should have them. We were retained by Food Fair in June of 1954. For a period of 2 years thereafter, we were retained in many labor matters in Philadelphia, as we were in many other matters not having anything to do with labor.

But in all that time, I don't know of one single piece of business that came into our office that related to business with local 107. So when Mr. Cupp called me in June of 1956 and said that he would like us to do their work for them, naturally we were grateful and pleased to have a firm of American Stores reputation ask us to do their work for them. But it was a full period of 2 years after we had first started to represent Food Fair that we had come to the attention of the American Stores.

MR. KENNEDY. So you were approached then by the representatives of American Stores, and you had some conversations with Mr. Cupp?

MR. BLANK. Mr. Cupp; yes, sir.

MR. KENNEDY. Did he suggest to you at that time the problems that they were having with local 107?

MR. BLANK. Yes, he did. I might add, incidentally to that, that it took me several days to make up my mind whether or not we would accept the work, and it did, and I would like to indicate the reason for that, if I may, Mr. Chairman.

Mr. Cupp asked us to do this work for him and indicated the nature of their problems. It seemed to me, from what he had to say, that everything he asked for and that he wanted this union to do for him, he was fully entitled and justified in having. I saw nothing that he wanted that was not reasonable and was not proper. I said that we would consider whether or not we would like to do it, the consideration being that we then represented Food Fair, which was and is a competitor of the American Stores.

It would have been, I would think, improper for us to have accepted a retainer from American Stores without first clearing it with the officials of Food Fair; I therefore sought out the president of Food Fair, Mr. Stein, and discussed the matter with him, and he was delighted; he said, "I think this is a very good thing, because instead of our having to lose some of the things we have gained as a result of our having these trailer drops being a necessary adjunct to our distribution, I think it would be a good thing now that the American Stores are going into that branch of work for you to get them some additional benefits, if you can, because they are entitled to them."

When he told me he felt that way, I then communicated with Mr. Cupp and told him we would be happy to take the work.

MR. KENNEDY. Did you work on some of their difficulties? Did you work on some of those problems with representatives of local 107?

MR. BLANK. Actually, Mr. Kennedy, I did not. Shortly after Mr. Cupp retained us, I think within a matter of several days, I left on an extended vacation. I went over to Europe and I didn't get back until late in August, as I recall it, or some time in August and that work was done by other people in our firm. I personally did not handle it.

MR. KENNEDY. Did you have any conferences or conversations with Mr. Lapensohn in connection with the problems that were facing American Stores?

MR. BLANK. No, sir; I did not.

MR. KENNEDY. You never discussed it?

MR. BLANK. I don't say never, but at that time I certainly did not, because I——

MR. KENNEDY. Subsequently, did you?

MR. BLANK. If I saw him, and if there were a problem on my mind, there would have been no reason in the world for me not to mention it to him, but I don't have any specific recollection of discussing a particular problem. I would not deny that I did.

MR. KENNEDY. I am not questioning whether there was any reason that you should not discuss it. I am just trying to get the answer

to the questions. Every time I ask that question, you give me the same answer.

Mr. BLANK. I realize, Mr. Kennedy, that you are, and I am trying to give you a truthful answer. But it is a very difficult thing to do at this time—to place yourself years back and try to remember specifically whether you had 1 conversation or 2 conversations, when you had, literally, hundreds of thousands of them.

Mr. KENNEDY. You just can't remember that?

Mr. BLANK. I would say that the probability is that I did, but I do not have a recollection of it.

Mr. KENNEDY. Your firm, evidently, was remarkably successful, according to the testimony before this committee, that you were able to achieve in just short conferences what the other organization was not able to achieve in 18 months, and which the company itself was unable to achieve in trying to get to the union.

Is there anything particular that you can tell us as to what was the source of your success?

Mr. BLANK. I would like to suggest, Mr. Kennedy, and I don't know the facts about how long it took, but I would very much doubt whether a problem as serious as the one we handled for the American Stores was settled in 1 hour, 10 hours, or 30 hours, because it was a very complicated type of problem.

I doubt very much whether the man in our office or the man who handled it would have understood the problem without having spent several weeks or more in preparation and analysis of it.

Many of you gentlemen are lawyers and you know that each time you come to handle a case you don't always hit a home run. There are many times when our firm has not done well with certain cases, and people go to other lawyers and the other lawyers do well with those cases. In this case, Motor Transport Labor Relations, which is a very wonderful outfit in my opinion, and who have done a splendid job for the trucking industry in Philadelphia were unable to effect a good result for these people.

What they wanted was fair and proper. All they asked for, as I recall the situation—and as I said before you will pardon me if I am not too specific because I did not handle it—all they wanted was to get the same starting time for their produce operation that their other competitors, including A. & P. already had had for years.

There was just no reason why, if that matter was properly explained that they should not get it.

I would be very delighted if we performed some miracle, in getting it for them, because that would certainly redound to the credit of our firm.

But I must state that in that I don't think we performed any miracle at all. I think MTLR wore the union down in the 18 months or so they were in it, and possibly we came along at the proper time and the union realized they should have it. Whatever it was, I know they were delighted with the result and we were delighted that they got it.

Mr. KENNEDY. You were talking about a home run. The situation would appear that in 1954 your client, the Food Fair Co., was able to come up to bat and hit a home run, and then your second client, as American Stores, was also able to hit a home run, immediately after retaining you.

Mr. BLANK. I would not like to minimize the extent of a success that we have in any of our work. I would be happy to say that we do do the best work we can, and if we are satisfying any of these people, we are glad that we do.

It certainly was the result of good, hard work.

Mr. KENNEDY. In 1954, for instance, did you discuss with Mr. Lapensohn specifically the fact that the Food Fair Co. would have unlimited drops or continue their former procedures with the understanding they would take on 20 additional men?

Mr. BLANK. No, I did not do anything about that, sir, but I certainly did discuss the question of the dropping of trailers, because that was a subject which anyone that had anything to do with that situation in Philadelphia was discussing with everybody else. The situation in Philadelphia then was extremely chaotic.

Mr. KENNEDY. Do you know anybody else that was discussing that with the representatives of local 107 other than yourself?

Mr. BLANK. I do not, but I would doubt very much if everybody wasn't scurrying around doing everything they could to avoid a drastic strike which then looked imminent.

Mr. KENNEDY. Did any of the officials of Food Fair indicate to you that they had been discussing the matter with any representatives from 107?

Mr. BLANK. No, sir; they did not.

Mr. KENNEDY. Mr. Friedland never discussed that?

Mr. BLANK. Mr. Friedland had nothing to do with that particular situation.

Mr. KENNEDY. Did he ever discuss it?

Mr. BLANK. No, sir.

Mr. KENNEDY. Mr. Arnold Cohen?

Mr. BLANK. No, sir.

Mr. KENNEDY. He never mentioned that to you?

Mr. BLANK. No, sir, to my knowledge, he never discussed it with the union.

Mr. KENNEDY. So you were the only one that you know of who was conducting these negotiations?

Mr. BLANK. As I indicated before, Mr. Kennedy, I did not negotiate with the union at all. All I did was to pass on to them a message which I thought they should have. You have heard the testimony. The negotiations were carried on by MTLR and not by me.

Mr. KENNEDY. You were the only one other than MTLR who was having discussions with the union for Food Fair, that you know of; is that right?

Mr. BLANK. Yes, sir.

Mr. KENNEDY. There is just one other matter.

You had 150 shares of Food Fair property stock.

Mr. BLANK. Five hundred.

Mr. KENNEDY. You received 500. Did you transfer 125 shares—

Mr. BLANK. One hundred and fifty shares. I never did actually transfer them.

Mr. KENNEDY. Let me ask you the question. To Mr. Lapensohn?

Mr. BLANK. Yes, sir; I did not actually transfer them.

The original share certificate is still in our name, but we gave him a letter that he had 150 shares. Incidentally, he paid the same price for them that we paid for them.

Mr. KENNEDY. Which was \$150?

Mr. BLANK. Yes.

Mr. KENNEDY. Actually, at that particular time the shares were worth four times that?

Mr. BLANK. I would doubt it, sir, because the conversation I had with him was shortly after I was told that I could have these shares. Unless they were worth \$4 when I got them, which I doubt very much. I am sure they were worth \$1 when I got them and that is the price I asked him to pay.

Mr. KENNEDY. At the time he paid you, they were actually worth \$600.

Mr. BLANK. There was a time when we had the discussion, and I think I discussed this with your staff, and we told him he could have these checks, and at a subsequent period he made out and mailed a check for them.

It was an insignificant amount of shares and an insignificant amount of money.

Mr. KENNEDY. Have you had any other transactions other than these business deals that went on through 1954, 1955, and 1956?

Mr. BLANK. All I can say, Mr. Kennedy, is that you have a full record of every transaction we have had, completely. We gave you a full record of it.

Mr. KENNEDY. Maybe we were not able to identify them. Could you answer the question as to whether you have had any other financial transactions with Mr. Lapensohn other than the land transactions that occurred during 1954, 1955, and 1956?

Mr. BLANK. Of course, as you know, we made him an advance of \$9,000 in the end of 1955 or early 1956. But that was subsequently repaid.

Mr. KENNEDY. I didn't know about that. You loaned him \$9,000?

Mr. BLANK. Well, I didn't personally. But one of the members of our firm was asked by him to advance \$9,000 for him in some real estate transaction, which he did. When it came time for him to repay it at the settlement, he was not able to do so because the financing had not materialized as he had expected. He had asked to have the loan retained over a period of time.

Mr. KENNEDY. What interest did he pay on that?

Mr. BLANK. He did not pay the interest yet.

The note provided for 4-percent interest, but he has not paid it yet. The principal of it was repaid.

Senator MUNDT. How long had the loan run when he paid it?

Mr. BLANK. A period of approximately 2 years.

Senator MUNDT. Two years?

Mr. BLANK. Yes, sir.

Senator MUNDT. Why didn't he pay that comparatively insignificant amount of interest?

Mr. BLANK. Well, it was not an insignificant amount, sir.

Senator MUNDT. Compared to \$9,000 it is pretty small.

Mr. BLANK. Do you mean the interest?

Senator MUNDT. Yes.

Mr. BLANK. We had this property, I had this property with him, and he had been out of the jurisdiction, and I had not seen him, and we thought we ought to get this note paid.

We sold the property and it realized enough to pay back the \$9,000.

Senator MUNDT. He is not going to pay the interest?

Mr. BLANK. No, sir. It is still due. I hope to collect it. I am sure he will pay it some day.

Senator MUNDT. I don't know the gentleman in question. I have been attending another hearing. This would amount to about \$720.

Mr. BLANK. I would think so, sir.

Senator MUNDT. Is the gentleman in question in such straits and circumstances that he has difficulty in raising \$720?

Mr. BLANK. I have difficulty in communicating with him, sir.

Senator MUNDT. You have not been in touch with him since he paid the loan?

Mr. BLANK. I have not been in touch with him since before he left the United States.

Mr. KENNEDY. You handled a business transaction for him, didn't you, in this year, 1958?

Mr. BLANK. No, sir.

Mr. KENNEDY. Have you sold any property for him?

Mr. BLANK. No, sir.

Mr. KENNEDY. Well, as of the end of 1957?

You have not sold any property or had any business transactions with him in 1958?

Mr. BLANK. No, sir.

Mr. KENNEDY. All of your business transactions ended?

Mr. BLANK. I know of no business transactions that we handled for him after he went to Europe in the middle of 1956—1957.

The CHAIRMAN. When did he leave?

Mr. BLANK. I think it was sometime in 1957.

The CHAIRMAN. May 1957?

Mr. BLANK. I think so.

(At this point, Senator Ervin withdrew from the hearing room.)

Mr. KENNEDY. Didn't you and Mr. Lapensohn own a gas station together?

Mr. BLANK. Yes. I just told the Senator that I sold that and the proceeds were used to repay this obligation. But he did not participate in that transaction.

Mr. KENNEDY. When did you sell it?

Mr. BLANK. It was sold early in February of this year.

Mr. KENNEDY. That, I think, was the transaction that I had in mind.

Mr. BLANK. Yes, sir, that we did.

Mr. KENNEDY. You sold this property that you owned jointly?

Mr. BLANK. Yes, sir.

Senator MUNDT. That was the \$9,000 used to repay the loan?

Mr. BLANK. That is correct, Senator.

Senator MUNDT. And that was all he had coming from the sale, was it?

Mr. BLANK. Yes, sir.

Senator MUNDT. \$9,000?

Mr. BLANK. Yes, sir.

Senator MUNDT. If there had been \$9,720 due him, you would have taken it all?

Mr. BLANK. If there had been that much due there, sir, I certainly would have.

Senator MUNDT. I see.

The CHAIRMAN. When did you agree to make this sale? Was he consulted about it or did you have power of attorney to sell it at any time?

Mr. BLANK. Yes, we did, sir. At the time the loan was made, it was made on the basis of this collateral.

At that time we owned this property and it was registered in the name of a young lady in my office, as collateral for that loan, we had this property and it was clearly understood that if the loan was not paid, we would have the right to sell it, which we did.

The CHAIRMAN. That arrangement was all made prior to the time he left?

Mr. BLANK. Yes, sir.

The CHAIRMAN. You have had no contact with him since?

Mr. BLANK. None at all.

The CHAIRMAN. We would be a little interested in having him visit us, if we could arrange it.

Mr. KENNEDY. Is that the only loan that you made to him?

Mr. BLANK. Wasn't there a \$5,000 transaction some time in——

Mr. KENNEDY. March 10, 1955?

Mr. BLANK. I think so, sir, yes. I did not personally make it. One of my partners did. It was subsequently repaid.

Mr. KENNEDY. Are you in the lending business also?

Mr. BLANK. No, but I must say that we have done some good for a number of people in Philadelphia whom we have helped, and who are still grateful for the help which we gave them in the early days.

Mr. KENNEDY. Would you put Mr. Lapensohn in that class?

Mr. BLANK. All I can say, sir, is that these were rather usual transactions in our office. There was nothing unusual.

Mr. KENNEDY. Well, somebody for whom you have done a lot of good would be very grateful to you, is that what you meant to imply?

Mr. BLANK. What I meant was that it is not an unusual thing for lawyers in offices such as ours to help people when they ask for it, if we are in a position to do so.

Mr. KENNEDY. If he wanted a loan of \$5,000, and a loan of \$9,000, why wouldn't he just go to a bank and obtain a loan from there, rather than from your law firm?

Mr. BLANK. As you know, there are times when people get extended and I guess they can't get bank accommodations. If they could, I am sure they would go to the bank.

Mr. KENNEDY. Did the propriety of loaning this money to an official, a representative of local 107, whatever you call him, while you were at the same time representing the food company, did the propriety of that ever rise in your mind?

Mr. BLANK. I don't think it represents a problem, sir. It seems to me and I have discussed this with several members of our firm, if we represent a man who is an executive of a company, and he leaves that company and goes to work for another company, it seems to me that we should not be reluctant to do business with that new company on behalf of a client of ours just because we know the man well.

I think generally the fact that you know people well or have had relations with them in a business way should not in any way disbar or prevent people from doing business.

Mr. KENNEDY. Of course, the business dealings that you had with Mr. Lapensohn, Mr. Blank, did not really begin until after he became

associated with local 107, at least according to our records. The only one in 1953 was a \$75 item.

Mr. BLANK. That is not the fact, sir, if I may correct the record. We signed an agreement of sale for the purchase of that gasoline station in October of 1953, and the record shows that we handled and discussed business real estate transactions with him from 1952 on. That was made part of the record which we turned over to you.

Mr. KENNEDY. I don't think you had any actual financial transactions in 1952.

Mr. BLANK. No, but the agreement of sale for that gasoline station was dated October 1953, and your committee has seen that.

Mr. KENNEDY. By and large the transactions all took place in 1954, 1955, and 1956. Of course, that was the time that he was a representative of local 107. Then loaning this money on two different occasions, the \$14,000; does that sound at all questionable?

Mr. BLANK. I must give you this assurance, Mr. Kennedy, that our relationships with local 107 were in no way affected directly, indirectly, or sidewise by any influence or purported influence with Mr. Lapensohn. Anybody who would have any business matters with that union knew that Raymond Cohen was the only one who could make any changes in any situation of any importance at all.

Mr. KENNEDY. According to the testimony before the committee, and you have explained it accordingly, you had remarkable success with local 107, and at the same period of time it is true that you had many business dealings with Mr. Lapensohn, and it is true that on two different occasions you loaned him considerable amounts of money.

As I say, you have given your explanation, but those are the facts.

Mr. BLANK. Well I remember when we went to college they used to talk about posthope reasoning, and I am sure you will remember that just because something happens after the fact, that it does not necessarily happen because of the fact or the event, and any such attempt to place guess upon conjecture would only, in my judgment, be a distortion of the facts, sir.

I give you this testimony, and I mean it sincerely, sir, that his relationship with that union had no effect whatsoever on the work which we did with that union which was based purely on a professional basis, trying to handle it as competently as we could.

Mr. KENNEDY. You can see how these facts might raise a question, and that is why it might be well if you came to testify and explained the situation.

Mr. BLANK. I thank you, sir, for the opportunity to be here today, so that I may explain it, because the reputation of our firm and my personal reputation in Philadelphia are very important to us.

It is a privilege to be here and to be able to straighten out the record, sir.

Mr. KENNEDY. The ethical practices committee, I might add, outlaws or prohibits this kind of an arrangement with a union official.

Mr. BLANK. I did not know it, sir.

Is that one in this article which was just written?

Mr. KENNEDY. No, the ethical practices committee of the AFL-CIO.

The CHAIRMAN. That was for the future. That was not in effect at the time of these transactions. That is for the future.

Are there any other questions?

Mr. KENNEDY. That is all.

The CHAIRMAN. Thank you very much.

I would like to call Mr. Cohen for just a moment. I want to give him the opportunity to explain today, at this time, particularly about any advantages in these drops or lack of advantage.

You will be sworn, sir.

Do you solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. COHEN. I do, sir.

**STATEMENT OF ARNOLD D. COHEN, ACCOMPANIED BY HIS COUNSEL,
SCOTT W. LUCAS, WASHINGTON, D. C., AND HARRY SHAPIRO**

The CHAIRMAN. State your name, your place of residence, and your business or occupation.

Mr. COHEN. My name is Arnold D. Cohen. I live in Wynnewood, Pa. My business is vice president of Food Fair Stores in charge of warehousing and transportation.

The CHAIRMAN. Let the record show the same counsel appears as appeared for Mr. Schwartz.

Mr. Cohen, in my interrogation of Mr. Schwartz I undertook to interrogate him regarding the advantages of having these trailer drops. It was suggested that possibly you had more information about that and could give better testimony on that point than he could.

For that reason, I am calling you now, since the committee cannot remain in session much longer, but since that issue was raised today, I thought you should have an opportunity to testify briefly on that point this afternoon.

I may ask you two or three questions. You have heard evidence today that these trailer drops are regarded as having an economic value. The lowest, I believe, which has been testified to was \$18 per drop, and up to as high as \$25 a drop.

Someone suggested the average would be about \$22.50 per drop. In your work with the company, in your position with the company, is it part of your duties to take into account the economics of operation?

Mr. COHEN. Yes, it is, sir.

The CHAIRMAN. How long have you been with the company?

Mr. COHEN. I came with Food Fair Stores in 1946, just following my tenure with the Army.

The CHAIRMAN. Have you made any calculations with respect to the advantages of these trailer drops, the economic advantage in it?

Mr. COHEN. Well, Senator, I don't see where there is an economic advantage to this particular phase of our operation. I see where there is an advantage to our store operations with the convenience of a method of making deliveries, but a dollar-and-cents savings we cannot show.

The CHAIRMAN. That gives a pretty sharp conflict in testimony, as you can appreciate. I frankly do not know. The thing that gives support to the contention that these trailer drops have a decided economic advantage is that everyone was fighting so hard to get them in

the course of negotiations with the union. If they have no particular economic advantage, then why was that possible the principal issue, or point at issue, in the negotiations with the union?

Mr. COHEN. Well, it was a principal point of negotiation with Food Fair Stores because we needed the convenience of our method of operation. Maybe I can qualify my statement somewhat, Senator, by saying this:

Where you operate a drop trailer operation, you are forced, with that type of an operation, to have more trailers than you normally would if you had the tractor attached to the trailer constantly. Figuring the value of the trailers, you in turn, or we in turn, with our method of operation and the number of drops we have, and had, the number of trailers we were forced to put on, we did not show a definite or any economic advantage.

(At this point, Senator Ervin entered the hearing room.)

Mr. COHEN. Our advantage was primarily one of giving the store the convenience of unloading the trailer when they could, No. 1, accommodate the merchandise into the back room of the store, and, No. 2, when they had the time to unload the trailer.

The CHAIRMAN. How would that differ from the same advantage that would go to others? Wouldn't it be the same advantage to any other of your competitors? Wouldn't it give them the same benefits, the same convenience that you are speaking of.

(At this point, Senator Mundt left the hearing room.)

Mr. COHEN. It would, if they were in a position to operate with the same system.

The CHAIRMAN. That is the system that is regarded as more efficient?

Mr. COHEN. Maybe I can qualify it this way, or explain it.

The CHAIRMAN. All I know from the testimony here is that everybody wanted it. The union didn't want to give it to anyone. That much I think is undisputed.

What is the consideration that made it such a controversial issue?

Mr. COHEN. Primarily, I think it was this: Where you had an operation where you had a straight truck or a tractor and trailer with a driver and a helper, if you were then permitted to go into a drop operation, you certainly did not have the need for the helper.

Now, the advantage of having a drop operation—we started off with no helpers. We continued that operation from 1949, when we first started with the first truck, all the way up until 1954, when it was put into jeopardy.

The CHAIRMAN. Are there any further comments about it?

Mr. COHEN. The only thing that I would like to make as a point, Senator, if I may, is the fact that in order to keep our method of operation, and in order to let our competitors have the type of operation that we operated under, the union could foresee the fact that there would be a so-called vanishing American.

The vanishing American came into being with reference to American Stores. If they were permitted their drops, they would not need the helpers. The union in turn felt that they were not going to lose their membership for those men who were acting in the capacity of helpers.

Therefore, in 1954, they came along and said because they didn't want the vanishing Americans, we would pick them up.

The CHAIRMAN. They could argue the same way, that you ought to deliver with an oxcart, too.

Mr. COHEN. Well, there are a lot of things they say sometimes.

The CHAIRMAN. Are there any other questions?

Mr. KENNEDY. Mr. Cohen, while you are here, do you know Mr. Lapensohn?

Mr. COHEN. Yes, I know Mr. Lapensohn.

Mr. KENNEDY. How long have you known Mr. Lapensohn?

Mr. COHEN. Approximately 10 years.

Mr. KENNEDY. How did you first meet him?

Mr. COHEN. You asked me that question before, counsel, and I told you that to the best of my recollection——

Mr. KENNEDY. Just answer the question.

Mr. COHEN. To the best of my recollection, I think I was introduced to him or him to me at the country club dance.

Mr. KENNEDY. Did you see him after that?

Mr. COHEN. Yes, I did, sir.

Mr. KENNEDY. Under what circumstances?

Mr. COHEN. Well, there were a few, primarily that of having breakfast together in the Horn & Hardart restaurant at 54th and City Line Avenue on an average of maybe 2 or 3 times a year.

Mr. KENNEDY. Did you arrange to meet there?

Mr. COHEN. No, sir.

Mr. KENNEDY. You just happened to meet at the Horn & Hardart restaurant?

Mr. COHEN. Yes, sir. Thursday mornings I don't eat at home for breakfast. So I would eat at the most convenient restaurant, which happened to be Horn & Hardart's.

Mr. KENNEDY. There was one occasion at Horn & Hardart's?

Mr. COHEN. There was one occasion when I met Mr. Lapensohn at the Technion banquet. Technion is an organization interested in forwarding technical advice to the State of Israel, and I met him at a banquet one time where we exchanged greetings.

Mr. KENNEDY. Did you ever discuss local 107 business with him?

Mr. COHEN. No; I did not.

Mr. KENNEDY. Did you know what he was doing at the time?

Mr. COHEN. No; I did not.

Mr. KENNEDY. You never inquired of him?

Mr. COHEN. No; I did not.

Mr. KENNEDY. You had breakfast with him 2 or 3 times a year and you never inquired what work he was doing?

Mr. COHEN. No; I didn't.

Mr. KENNEDY. You didn't know what business he was in?

Mr. COHEN. No; I did not.

Mr. KENNEDY. And you never inquired?

Mr. COHEN. No. In fact, up until very recently I thought he was a lawyer.

Mr. KENNEDY. You never inquired of him?

Mr. COHEN. I did not; no, sir.

Mr. KENNEDY. And you used to meet him this often?

Mr. COHEN. Well, I did see him one time at 107.

Mr. KENNEDY. What did you think then?

Mr. COHEN. I had nothing to think. I saw him in the hall. I said, "Hello" and he said "Hello" and that was all.

Mr. KENNEDY. Did you think he was associated with 107 at that time?

Mr. COHEN. I had no reason to believe anything. I never even gave it a thought at that time.

Mr. KENNEDY. You never knew he was in with 107?

Mr. COHEN. I did not; no, sir.

Mr. KENNEDY. Did you ever call him or telephone him down there?

Mr. COHEN. No, sir.

Mr. KENNEDY. Did you participate in any of the negotiations for any of these contracts?

Mr. COHEN. No; I did not.

Mr. KENNEDY. You never had anything to do with labor?

Mr. COHEN. No. I directly didn't go to any of the negotiations.

Mr. KENNEDY. Did you participate in any of the discussions on the negotiations?

Mr. COHEN. Just that Mr. Schwartz would keep me advised as to what the progress of the negotiation was.

Mr. KENNEDY. Are you the one that sent Mr. Blank down to see the officials of local 107?

Mr. COHEN. I had discussion with Mr. Blank. The discussion was of the nature where I had been advised that we were going to lose our ability to drop our trailers, and I made mention to Mr. Blank that we would take a strike for this, and I didn't care who knew it, that he could tell it to anybody at all, including Ray Cohen.

Mr. KENNEDY. That you would take a strike rather than submit to that?

Mr. COHEN. That is right, sir.

Mr. KENNEDY. So it was a very important matter to you, was it not?

Mr. COHEN. Yes; it was.

Mr. KENNEDY. And also it was very important to all of the other companies, according to their testimony.

Mr. COHEN. According to their testimony; yes, sir.

Mr. LUCAS. May we have one conference, Mr. Chairman, on a matter?

The CHAIRMAN. Yes.

(Witness conferred with his counsel.)

Mr. SHAPIRO. Mr. Chairman, I think we should say to the committee that the gentleman has the figures on which he bases his conclusion, and I thought the committee would be interested in them, especially from the chairman's interest.

The CHAIRMAN. If you have a compilation of figures on which you base your testimony, if you desire you may submit it as an exhibit and the committee will receive it.

Mr. COHEN. Thank you.

Mr. SHAPIRO. Can we give the conclusion as to what it shows?

The CHAIRMAN. Certainly.

Mr. COHEN. Let me clarify a couple of points, Senator. No. 1 is that we never had 283 or 287 drops in our operation, either a day or a week.

The CHAIRMAN. How many did you have?

Mr. COHEN. We have our operating figures here as of December 1954, which takes us into the new contract, January 1, 1955, at which time we had the ability just to drop in two products, which were

groceries and produce. There was no store of ours or anybody's that we knew who was doing volume where they could take a full drop of a product like dairy, frozen foods, fish, meat. So these drops were only embracing the two fields.

No. 1, we enjoyed 105 drops a week on groceries and we had 43 drops a week on produce, or a total of 148 drops a week.

The CHAIRMAN. At what time was that?

Mr. COHEN. As of January 1, 1955. There were some weeks when your normal 148 drops could, in turn, get to 200. There were times in our operation where they could reach a maximum of 200, and that would be under the circumstances where we were making a distribution of some product like Christmas trees prior to Christmas.

Mr. KENNEDY. Didn't you inform the MTLR that you had some 280 trailer drops?

Mr. COHEN. We never did, sir.

Mr. KENNEDY. When you had the discussions and they were going to have the negotiations with the union, didn't you tell them at that time that you had some 280 trailer drops?

Mr. COHEN. No, sir. I only heard that one time by rumor and that was given to me by American Stores.

Mr. KENNEDY. So during the period 1954, 1955, 1956, you never had as many as 200—

Mr. COHEN. We don't have 287 today, and today we enjoy more stores than we had in 1954.

Mr. KENNEDY. Did you ever say you wanted to get 280?

Mr. COHEN. We couldn't have them because we couldn't use them.

Mr. KENNEDY. Did you ever discuss it and say that you wanted them?

Mr. COHEN. No, sir.

Mr. KENNEDY. You never did?

Mr. COHEN. No, sir.

Mr. KENNEDY. Here is Mr. Berman from the union, and perhaps he is wrong, too, Mr. Al Berman, on December 27, 1955. He is a representative of the union.

He states "I don't know about Penn Fruits, but Food Fair is dropping 283 bodies a week."

Mr. COHEN. May I ask you where he got that figure, sir.

Mr. KENNEDY. You will have to ask Mr. Berman.

Mr. COHEN. I can only tell you as the operator how many we had, sir.

The CHAIRMAN. That is the minutes of what?

Mr. KENNEDY. That is in the minutes of the MTLR-local 107, joint meeting.

Mr. COHEN. I can only say that Mr. Berman is misinformed.

Mr. KENNEDY. Do you remember if they ever raised the point that you were dropping 280 trailer drops?

Mr. COHEN. I have heard the story kicked around and exaggerated to the point where we were unconcerned whether they thought we had 287 or 2,087.

We knew what were doing. We knew how many we had. We were only concerned with our particular operation. If they, in turn, could operate with trailer drops, we personally didn't care.

Mr. KENNEDY. You say that Mr. Gannon's testimony, then, before the committee is incorrect when he says that he was informed that you needed 280 trailer drops, or 283?

Mr. COHEN. We did not have 287 or 283 trailer drops, sir.

Mr. KENNEDY. You never informed him of that fact?

Mr. COHEN. He never asked me. I certainly never informed him.

Mr. LUCAS. May we have those marked as exhibits, Mr. Chairman?

The CHAIRMAN. The document presented here, a compilation—

Mr. SHAPIRO. They show every store.

The CHAIRMAN. Which the witness referred to will be made exhibit 55 for reference.

(Document referred to was marked "Exhibit No. 55?" for reference and may be found in the files of the select committee.)

Mr. SHAPIRO. It is a list of the stores which are operated with drops.

Mr. COHEN. May I continue with one other explanation?

The CHAIRMAN. Are you going to something else?

Mr. COHEN. No. It is in reference to the economics of our method of operating. Within our operation as of January 1, 1955, which is the point in question, we operated with a total of 56 tractors and 113 trailers.

We were leasing these trailers and tractors. If we did not have the ability to drop, we would end up with a surplus of 44 trailers. The 44 trailers cost us \$91,520 a year. We would in turn have to procure 8 tractors, which would cost \$41,600 a year. We would have to hire 10 drivers, which would cost us \$46,800 a year, figuring overtime in that rate. Subtracting one from the other, our method of dropping trailers for the convenience of our stores cost us \$4,000 a year as against a method of operating where we would have stayed with every load.

In 1955, starting January 1, when the negotiation was passed on that we must take on 20 helpers, our method of operation did not cost us the additional \$4,000, but cost us the additional \$96,000 plus the \$4,000 or the \$100,000 that we were forced to pay to continue our method of operating.

This is in addition to the labor increase or the hourly rate that was negotiated for the contract in which everybody participated.

The CHAIRMAN. I present to you a document, which seems to be a carbon copy or a photostatic, of some notes made. I will ask you first to examine it and see if you recognize the handwriting.

(A document was handed to the witness.)

(Witness conferred with his counsel.)

Mr. COHEN. Not being an expert, sir, this looks somewhat like Julius Schwartz' handwriting.

The CHAIRMAN. I think it is. I thought possibly you would recognize it. What are the notations he makes about 283 drops?

Mr. COHEN (reading):

Unions—283 drops presently.

The CHAIRMAN. Sir?

Mr. COHEN. He says, "Unions—283 drops presently."

The CHAIRMAN. That indicated at that time that Mr. Schwartz was making a note about 283 drops, does it not?

Mr. COHEN. He might have been commenting on what the union said. If Berman, for instance, in what you mentioned before, sir, quoted 283 drops, Mr. Schwartz might have made that note.

The CHAIRMAN. I have another one here. I am not sure about the handwriting of this one. Possibly it is in the handwriting of your attorney, Mr. Blank.

I notice here the notation—

drops, no new drops. We want right to drop total of 283, not restricted to stores. Al will advise further.

Do you know anything about that?

Mr. COHEN. The only thing I can make comments on that, Senator, is the fact that once everything was so-called signed, sealed, and delivered, as our 1955-56 contract, and I was advised of the nature of the contract as far as the hourly increase was concerned, and as to our continuing our present method of operating, and the fact that we were going to put on 20 helpers or were forced to put on 20 helpers.

The next thing that came along was with the opening of the very next store, when we sent the driver out to drop the trailer, as was our previous method of operating, the union said "No."

The CHAIRMAN. According to your testimony, you had 148?

Mr. COHEN. That is right, sir.

The CHAIRMAN. According to other evidence, the number that was discussed, at least, during the period of any negotiations the number that was discussed was 283.

Mr. KENNEDY. And the number discussed by their attorney.

In addition to that, obviously there was a great financial interest in having the trailer drops or you wouldn't have notified the union that you would go out on strike, that you sent a special messenger down there that you would go out and strike rather than go into this.

Mr. COHEN. I don't know, counsel. I have to take exception to one thing. You keep saying that there was financial advantage. I keep saying there was not.

Mr. KENNEDY. I say the fact that you would send a special messenger down to see and talk to the union, to tell them you would go out on strike rather than give in on the trailer drops indicates that there was a great, tremendous financial gain for having the trailer drops.

The CHAIRMAN. It indicates there was a great advantage, and the other witnesses have testified that there was a financial advantage. This witness says there was no financial advantage in it.

Mr. COHEN. I say, sir, there was no financial advantage in it, but there was a convenience advantage.

The CHAIRMAN. A convenience advantage?

Mr. COHEN. Yes, sir.

The CHAIRMAN. Are there any further questions?

If not, the committee will stand in recess until 10:30 in the morning.

(Whereupon, at 5:15 p. m., the committee recessed to reconvene at 10:30 a. m., Friday, May 9, 1958.)

(Members of the committee present at the taking of the recess were: Senators McClellan and Ervin.)

INVESTIGATION OF IMPROPER ACTIVITIES IN THE LABOR OR MANAGEMENT FIELD

FRIDAY, MAY 9, 1958

UNITED STATES SENATE,
SELECT COMMITTEE ON IMPROPER ACTIVITIES
IN THE LABOR OR MANAGEMENT FIELD,
Washington, D. C.

The select committee met at 11 a. m., pursuant to Senate Resolution 221, agreed to January 29, 1958, in the caucus room, Senate Office Building, Senator John L. McClellan (chairman of the select committee) presiding.

Present: Senator John L. McClellan, Democrat, Arkansas; Senator Carl T. Curtis, Republican, Nebraska.

Also present: Robert F. Kennedy, chief counsel; Jerome S. Adlerman, assistant chief counsel; John B. Flanagan, investigator; Leo C. Nulty, investigator; Herbert J. Rose, Jr., investigator; Ralph DeCarlo, investigator; Ruth Young Watt, chief clerk.

The CHAIRMAN. The committee will come to order.

Call the next witness.

Mr. KENNEDY. Mr. Chairman, the first witness is a staff investigator, Mr. George Kopecky.

The CHAIRMAN. Senator Lucas, you gentlemen left with the Chair a day or two ago a certificate from a doctor regarding a witness. I understood you misplaced it last night. You had left it with the chairman, however, and I have it.

I told you that I would place it in the record. I now direct that this letter addressed to me on May 7, from Dr. William Likoff, regarding the witness Myer Gordon, be placed in the record at this point.

(The letter is as follows:)

BAILEY THORACIC CLINIC,
Philadelphia, Pa., May 7, 1958.

Senator JOHN L. MCCLELLAN,
The Capitol, Washington, D. C.

DEAR SENATOR MCCLELLAN: Mr. Myer Gordon, of 325 Winding Way, Merion, Pa., has been under my care since February of 1957.

Mr. Gordon suffered an acute antero-septal myocardial infarction due to a coronary artery occlusion on February 14, 1957. Mr. Gordon continues to suffer from active coronary artery insufficiency manifested by chest pain. His activities are consequently sharply restricted.

It is my sincere opinion that testimony before a committee of Government with its associated emotional strain would be a distinct hazard to Mr. Gordon's precarious state of health. I respectfully request that Mr. Gordon be excused from the arduous of testimony.

A request such as this would not be issued unless I believe that the patient's health would be seriously jeopardized.

Sincerely yours,

WILLIAM LIKOFF, M. D.

The CHAIRMAN. Mr. Kopecky, have you been previously sworn in this series of hearings?

Mr. KOPECKY. No, sir.

The CHAIRMAN. You do solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. KOPECKY. I do.

TESTIMONY OF GEORGE KOPECKY

The CHAIRMAN. State your name, your place of residence, and your business or occupation?

Mr. KOPECKY. My name is George Kopecky. My residence is 2907 Gainsville Street, Washington. My occupation is staff investigator with this committee.

The CHAIRMAN. Mr. Counsel, you may proceed.

Mr. KENNEDY. Mr. Kopecky, you have made a study and investigation of some of the stock transactions of the Food Fair Co.?

Mr. KOPECKY. Yes, I have.

Mr. KENNEDY. You have also made a study of the stock transactions of the Food Fair Properties?

Mr. KOPECKY. Yes.

Mr. KENNEDY. Would you tell the committee the relationship between the Food Fair Stores and Food Fair Properties?

Mr. KOPECKY. Food Fair Properties is an affiliate and subsidiary of Food Fair Stores.

Mr. KENNEDY. Food Fair Stores is one of the largest chainstores in the United States?

Mr. KOPECKY. It is recognized to be the sixth largest.

Mr. KENNEDY. And the Food Fair Properties—what was the purpose of the Food Fair Properties, and when did that come into existence? Your testimony is all taken from the documents, and you have documents there which will back up whatever statements you make; is that correct?

Mr. KOPECKY. I do have documents.

In 1955, negotiations were entered into by an underwriting firm and Food Fair Stores, the purpose of which was to create an affiliate known as Food Fair Properties.

Food Fair Properties represents a real-estate development for the purpose of acquiring real estate, constructing shopping centers, and in these shopping centers Food Fair Stores would place a supermarket to locate in a prominent location within the center.

Mr. KENNEDY. What was the relationship between the management of Food Fair Stores and Food Fair Properties?

Mr. KOPECKY. Management for all intents and purposes is one and the same.

Mr. KENNEDY. This plan came into existence in 1955; is that right?

Mr. KOPECKY. Yes, sir.

Mr. KENNEDY. There had been some discussions prior to that time, but it actually came to fruition in 1955?

Mr. KOPECKY. That is correct.

Mr. KENNEDY. Were there some stocks and bonds issued at that time?

Mr. KOPECKY. Bonds and stock of Food Fair Properties were issued in September and October 1955.

Mr. KENNEDY. Mr. Chairman, we have here a mimeographed paper, memorandum, which gives the background, a little bit, on these stocks and bonds. As Mr. Kopecky describes them, it might be helpful to follow them from here.

The CHAIRMAN. Did you compile this memorandum?

Mr. KOPECKY. Yes, Mr. Chairman, I did.

The CHAIRMAN. Sir?

Mr. KOPECKY. Yes; I did.

The CHAIRMAN. Does it reflect your findings from an examination of the records?

Mr. KOPECKY. It does.

Mr. KENNEDY. I would like to have this made an exhibit, if we could, Mr. Chairman.

The CHAIRMAN. This memorandum—you compiled it, as I understand, from your records?

Mr. KOPECKY. Yes; that is correct.

The CHAIRMAN. It may be made exhibit 56.

(Document referred to was marked "Exhibit No. 56," for reference, and will be found in the appendix on p. 11183.)

The CHAIRMAN. You can make any explanation of it that you care to.

Mr. KENNEDY. There were both debenture bonds and common stock that were issued; is that correct?

Mr. KOPECKY. That is correct.

Mr. KENNEDY. Could you tell us what the value of the debenture bonds was?

Mr. KOPECKY. There were \$7,691,250 of debenture bonds issued at this time, in 1955.

Mr. KENNEDY. What did the bonds consist of?

Mr. KOPECKY. The bonds were offered in the form of what is known as a unit, and each unit consisted of a \$50 debenture bond plus 11 shares of the common stock.

Mr. KENNEDY. What was this unit to be sold for?

Mr. KOPECKY. The unit was to be sold for \$50.

Mr. KENNEDY. The unit consisted of the bond plus the 11 shares of stock?

Mr. KOPECKY. Bond plus stock.

Mr. KENNEDY. And that was to be sold for \$50; that unit?

Mr. KOPECKY. At \$50.

Mr. KENNEDY. That is apart from the other stock that was to be sold separately; is that right? There was a separate sale of common stock?

Mr. KOPECKY. You are correct, there was a separate offer.

Mr. KENNEDY. So there are two deals. One was this unit which consisted of the bonds plus the 11 shares of stock which was to be sold at \$50, and then the common stock, apart from that?

Mr. KOPECKY. That is correct.

Mr. KENNEDY. Let us discuss the debenture bonds, first, the unit that you mentioned.

The CHAIRMAN. Let me see if I understand. There were 2 issues, 1 being debenture bonds and the other common stock.

Mr. KOPECKY. That is correct.

The CHAIRMAN. A part of the common stock was placed in a package with the debenture bonds?

Mr. KOPECKY. That is correct.

The CHAIRMAN. And a part of the common stock was to be sold separately?

Mr. KOPECKY. That is correct.

The CHAIRMAN. So you have the debenture bonds and the common stock packaged and then you have the same common stock as a separate sale or offer for sale?

Mr. KOPECKY. Correct.

Mr. KENNEDY. What we describe as a unit, the bond plus the 11 shares of stock, that was to be sold for \$50. Was that first to go to those who owned Food Fair stock?

Mr. KOPECKY. That is right. The owners and holders of the Food Fair Stores were given the first opportunity to purchase these units.

Mr. KENNEDY. How was that handled?

Mr. KOPECKY. That was effected through what is known as a right. Each stockholder and owner of the parent company, Food Fair Stores, was given one right for each share of stock of Food Fair Stores that he held.

The CHAIRMAN. In other words, it was a right reserved to the stockholders to purchase this issue?

Mr. KOPECKY. To purchase the units; that is correct.

The CHAIRMAN. And that right was based on the amount of stock they already owned; is that correct?

Mr. KOPECKY. That is right.

Mr. KENNEDY. How many of these rights were necessary to purchase one of these units?

Mr. KOPECKY. Twenty rights were needed to buy one \$50 unit.

Mr. KENNEDY. Was Mr. Friedland president of the Food Fair Co. at that time?

Mr. KOPECKY. Mr. Friedland was chairman of the board of Food Fair Stores at that time.

Mr. KENNEDY. And he had a large amount of this stock, this Food Fair stock, did he not?

Mr. KOPECKY. Yes, he owned Food Fair Stores.

Mr. KENNEDY. Therefore, he had a large number of rights?

Mr. KOPECKY. A large number of rights accrued to Mr. Friedland.

Mr. KENNEDY. Did he make a certain number of those rights available to friends and associates?

Mr. KOPECKY. Yes. Mr. Friedland, his family, and his other associations did make available certain of these rights.

Mr. KENNEDY. How many rights did the make available?

Mr. KOPECKY. He made available a total of 136,000 rights to a group of individuals.

Mr. KENNEDY. How many people received these rights from Mr. Friedland?

Mr. KOPECKY. A total of 20.

Mr. KENNEDY. Were any of those individuals labor officials?

Mr. KOPECKY. There were four who were either labor officials or a relative of a labor official.

The CHAIRMAN. Four?

Mr. KOPECKY. Four.

The CHAIRMAN. Four of the 20, do you mean?

Mr. KOPECKY. Yes, sir.

Mr. KENNEDY. Under the SEC Act, it is not possible to make these rights available prior to the time that the stock is sold on the market; is that right?

Mr. KOPECKY. There is no legal obligation.

Mr. KENNEDY. At the time that these rights were actually transferred, did they have any value?

Mr. KOPECKY. When these rights were signed over, on or about September 29, 1955, they did have an actual value in the stock market.

Mr. KENNEDY. Would you name the four union officials who received the units or the rights?

Mr. KOPECKY. Yes. Max Block.

The CHAIRMAN. Who?

Mr. KOPECKY. Max Block, who was an international union vice president in the Butchers Union and president of 2 butcher local unions in New York.

The CHAIRMAN. Do you have a list of those to whom stock was made available?

Mr. KOPECKY. Yes, Senator, I do.

The CHAIRMAN. I am speaking of the list of 20?

Mr. KOPECKY. Yes, sir.

Mr. KENNEDY. Mr. Chairman, he has the list of the 20, but we also have the list of 4. Some of the stock, in contrast to the unit, the debenture bond, was also made available. We have not gotten into that yet.

The CHAIRMAN. The Chair presents to you here a mimeographed sheet showing certain stocks of persons listed. Will you identify it and state if you compiled this list from the records that you are now testifying from.

(Documents were handed to the witness.)

Mr. KOPECKY. Mr. Chairman, I identify this list, and I compiled this list.

The CHAIRMAN. You compiled this list or prepared this memorandum from the records that you have examined?

Mr. KOPECKY. That is right.

The CHAIRMAN. That may be made exhibit 57, for reference.

(Document referred to was marked "Exhibit No. 57," for reference and may be found in the files of the select committee.)

The CHAIRMAN. Proceed with the explanation of it.

Mr. KENNEDY. We were discussing the rights which were made available, Mr. Kopecky. You have stated that the rights were worth money at the time they were made available to these various union officials?

Mr. KOPECKY. Yes; that is right.

Mr. KENNEDY. How many rights went to Max and Louis Block?

Mr. KOPECKY. A total of 3,800 rights.

Mr. KENNEDY. How much were they worth at the time of the transfer?

Mr. KOPECKY. At the time they were signed over to these individuals, they were worthy approximately \$2,600 in the stock market.

Senator CURTIS. How do you establish that?

Mr. KOPECKY. From affidavits and quotations taken from the National Quotation Bureau, which is recognized as the authority and source of information.

Senator CURTIS. In other words, that is what they were selling for then?

Mr. KOPECKY. Yes. If any individual had to go out and desired to purchase one of these rights, he would have to pay a certain amount of money to acquire them.

Mr. KENNEDY. Would you describe again who Max and Louis Block were?

Mr. KOPECKY. Max Block is a vice president of the International Butchers Union; is also the president of local 342 and 640, both of which are butchers' unions in New York City. Louis Block is his brother, and is an administrator of the welfare and pension funds of these unions. He was formerly the president of local union 640 prior to his brother assuming that position.

Mr. KENNEDY. Do the Butchers Union have a contract with Food Fair Stores?

Mr. KOPECKY. Yes, sir; they do.

Mr. KENNEDY. They transferred 3,800 rights to Max and Louis Block, and at the time of the transfer, the rights themselves were worth \$2,600?

Mr. KOPECKY. The rights themselves were worth approximately \$2,600.

Mr. KENNEDY. And that gave them the right to purchase bonds?

Mr. KOPECKY. With those rights they could then turn those rights in and purchase \$12,000 worth of bonds for \$50 a unit, which we have described previously.

Mr. KENNEDY. Were the bonds at that time actually worth more money?

Mr. KOPECKY. The bonds at that time were selling at a premium in the stock market.

Mr. KENNEDY. Approximately how much?

Mr. KOPECKY. Those \$12,000 of bonds were selling for approximately \$16,800.

Mr. KENNEDY. Or about \$70 a bond; is that right?

Mr. KOPECKY. \$70 or \$75 a unit.

Mr. KENNEDY. A bond?

Mr. KOPECKY. A bond.

Mr. KENNEDY. So they could purchase the unit for \$50 when, in fact, it was worth \$70 or \$75?

Mr. KOPECKY. That is right.

Mr. KENNEDY. That is what 20 of these rights allowed them to do?

Mr. KOPECKY. That was the purpose.

Mr. KENNEDY. So they ultimately purchased for \$12,000 bonds or units that were worth \$16,800?

Mr. KOPECKY. Yes, sir.

Mr. KENNEDY. To whom else did they give these rights?

Mr. KOPECKY. One Paul Lafayette.

Mr. KENNEDY. Who is Paul Lafayette?

Mr. KOPECKY. Paul Lafayette at that time was president of Local 1245 of the Retail Clerks' Union in New Jersey and he was also a vice president in the International Union of the Retail Clerks.

Mr. KENNEDY. Has he ended his association with the Retail Clerks?

Mr. KOPECKY. Yes, he has.

Mr. KENNEDY. Was he expelled from the Retail Clerks?

Mr. KOPECKY. There were charges pending against him and at the time the charges were pending against him he submitted his resignation which was accepted.

Mr. KENNEDY. Did the Retail Clerks at that time have a bargaining contract with the Food Fair Co.?

Mr. KOPECKY. Yes, they did.

Mr. KENNEDY. He received 3,200 rights which were valued at that time at \$2,400, is that right?

Mr. KOPECKY. That is right.

Mr. KENNEDY. And he would pay nothing for those rights?

Mr. KOPECKY. No. He received those rights gratis.

Mr. KENNEDY. He was allowed, with those 2,400 rights, to purchase bonds worth \$8,000, is that right?

Mr. KOPECKY. That is right.

Mr. KENNEDY. Actually, the value of the bonds at that time was \$11,200?

Mr. KOPECKY. Approximately \$11,200.

Mr. KENNEDY. You have named three individuals. Who was the fourth one?

Mr. KOPECKY. The fourth one was a Jack Shore, who was a brother-in-law of Ben Lapensohn.

Mr. KENNEDY. How was that arranged?

Mr. KOPECKY. Well, what happened in that regard was that through Mr. Louis Stein, the president of Food Fair Stores, Jack Shore was given 4,000 rights which at that time were worth about \$3,000. This permitted Mr. Shore to buy \$10,000 in bonds. At the time the purchase was made for \$10,000, these bonds were selling for approximately \$14,000 in the open stock market.

The CHAIRMAN. Let me get something clear. These rights you say were worth so much at the time, or were selling for so much, for instance \$3,000. You have 4,000 rights which you say were worth \$3,000.

Mr. KOPECKY. They were worth approximately 75 cents a right.

The CHAIRMAN. Just to get the right to purchase was worth that?

Mr. KOPECKY. Yes, sir.

The CHAIRMAN. Then you paid in addition for the stock?

Mr. KOPECKY. For the bonds.

The CHAIRMAN. For the package?

Mr. KOPECKY. Yes, sir.

The CHAIRMAN. Did you have to have these rights in order to purchase? I mean to purchase at the original selling price.

Mr. KOPECKY. At \$50, yes, sir.

The CHAIRMAN. If you didn't have the rights and wanted to purchase the stock, then it would cost you \$70 instead of \$50. I am talking about the package.

Mr. KOPECKY. Yes, sir. You would have to pay the premium price.

The CHAIRMAN. In other words, the right gave you the privilege of buying the stock at its original sale price or par value price?

Mr. KOPECKY. That is correct.

The CHAIRMAN. But if you didn't have the rights and wanted to purchase the stock at the time of this transaction, if you went into the market to purchase a package, it would cost you \$70 to \$75, is that your testimony?

Mr. KOPECKY. That is true.

The CHAIRMAN. I want to get it clear. I do not always understand accountants' figures.

Proceed.

Mr. KENNEDY. The reason that the rights were worth any money at that time was because the bonds were selling at a premium, really.

Mr. KOPECKY. That is true.

Mr. KENNEDY. The right that you had was to purchase the unit or bond for \$50, when, in fact, it was worth \$70?

Mr. KOPECKY. Yes.

Mr. KENNEDY. So the fact that you had that right would be worth money, obviously. That is why the rights cost money.

Mr. KOPECKY. That is right.

The CHAIRMAN. In other words, where you show \$4,000 as the value of the right, it would permit you to exercise those rights in the purchase of stock for the full amount of the right, and you would save \$3,000, is that right?

Mr. KOPECKY. A gift was given out of \$3,000.

The CHAIRMAN. It was the equivalent of \$3,000 in a gift insofar as the value of the stock was concerned?

Mr. KOPECKY. Insofar as the value of the rights are concerned.

The CHAIRMAN. As I understand it, the right, if you applied it to the purchase of stock, was worth \$70?

Mr. KENNEDY. No, Mr. Chairman.

The CHAIRMAN. I think I know, but I am trying to understand.

In other words, the right to purchase one of these packages entitled you to purchase for the original price of \$50?

Mr. KOPECKY. Correct.

The CHAIRMAN. If you wanted to purchase the package and had no right, which were granted to the original incorporators, if you had no right then the package cost \$70 or \$75?

Mr. KOPECKY. Yes.

The CHAIRMAN. So the right was actually worth the difference between \$50 and \$70?

Mr. KOPECKY. Yes.

The CHAIRMAN. One right is worth \$20?

Mr. KOPECKY. No, Mr. Chairman. It required 20 rights to purchase 1 unit.

The CHAIRMAN. Twenty rights, then, were worth approximately \$20?

Mr. KOPECKY. Yes.

The CHAIRMAN. They were worth approximately \$1 a right?

Mr. KOPECKY. Between 75 cents and \$1 a right. It varied during the trading period.

The CHAIRMAN. In this instance, you varied the 4,000 at \$3,000 or 75 cents a right?

Mr. KOPECKY. On the day they were signed over, they were worth approximately 75 cents a right. They were in existence for approximately 3 weeks, and their value during that 3-week period they were in existence, each right varied between 75 cents and in excess of \$2.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Referring to this chart which was made up, taking the case of Jack Shore, I understand that these 4,000 rights were worth \$3,000, and therefore by paying \$10,000 he got \$14,000 value in bonds.

Mr. KOPECKY. Yes, sir.

Senator CURTIS. In the columns under the "Stock" that is separate?

Mr. KOPECKY. Separate and apart from the unit bond, yes.

Senator CURTIS. With the bond he also got some stock, is that right?

Mr. KOPECKY. Yes, he did.

Senator CURTIS. But in this column under "Stock" that is a separate purchase of stock?

Mr. KOPECKY. A separate purchase of stock, having nothing to do with the unit.

Senator CURTIS. You go ahead and develop it. I wanted to make sure that those two headings were separate.

Mr. KENNEDY. Yes.

As I understand, the reason that they put common stock out at all at that time was to try to find out actually what the stock was worth in the unit?

Mr. KOPECKY. Yes.

Mr. KENNEDY. They knew if there were 11 shares of stock plus the bond and they would sell that for \$50, and if they could find out what the stock was worth separately they would know how much the bond itself was worth apart from the 11 shares of stock.

Just on Jack Shore, he is the brother-in-law of Ben Lapensohn?

Mr. KOPECKY. That is right.

Mr. KENNEDY. Did Mr. Lapensohn's name ever appear?

Mr. KOPECKY. On the same day that Mr. Shore paid his check for \$10,000 for these \$14,000 worth of bonds, Ben Lapensohn reimbursed Jack Shore in the identical amount by his personal check.

Mr. KENNEDY. Did Mr. Lapensohn's name ever appear on a list?

Mr. KOPECKY. In connection with the stock.

Mr. KENNEDY. But not in connection with the units?

Mr. KOPECKY. Not in connection with the units.

Mr. KENNEDY. The number of rights, then, that were given to these 4 individuals was 12,000; is that correct?

Mr. KOPECKY. A total of 12,000 rights were given to the 4 labor officials.

Mr. KENNEDY. That is, to these 4 labor officials, and the value of the rights at that time was \$9,000?

Mr. KOPECKY. Approximately \$9,000.

Mr. KENNEDY. And those rights had to be exercised, and with \$20,000 and those rights you could get these bonds, is that right?

Mr. KOPECKY. That is correct.

Mr. KENNEDY. And the bonds at that time were worth \$42,000?

Mr. KOPECKY. That is correct.

Mr. KENNEDY. So these individuals who exercised the rights got \$42,000 worth of bonds for \$30,000; that is how it ended up; is that correct?

Mr. KOPECKY. That is correct. That is how the bond situation ended up.

Mr. KENNEDY. Let's go over to the common stock now. There were 650,000 shares of stock issued?

Mr. KOPECKY. A total of 650,000 shares of common stock were issued separate and apart from the bonds.

Mr. KENNEDY. How much was that stock to be sold for?

Mr. KOPECKY. According to the agreement that was entered into between the underwriting firm and Food Fair Stores management, it was to be offered to the general public at \$1 a share.

Mr. KENNEDY. Was there a preferred list of the individuals who could purchase this stock for a dollar?

Mr. KOPECKY. Yes.

Mr. KENNEDY. Did the stock, before it was sold, have the appearance that it was going to sell for a premium?

Mr. KOPECKY. Yes.

Mr. KENNEDY. Do you have some affidavits there from the investment house which handles these bonds and these units?

Mr. KOPECKY. Yes, I do. I have an affidavit from the managing partner of the Philadelphia office of the managing firm of Eastman-Dillon, who was responsible for the negotiations at that time with the Food Fair people, and also an affidavit from the present managing partner in New York of the Eastman-Dillon firm, Mr. Frederick Barton.

The CHAIRMAN. Did you procure the affidavits?

Mr. KOPECKY. Yes, I did.

The CHAIRMAN. You may read them. Are they very long?

Mr. KOPECKY. One is 2 pages, double spaced, and the other is 2½ pages, double spaced.

The CHAIRMAN. They may be entered into the record at this point. Read the pertinent parts of them.

They may all be printed in full in the record at this point.

(The affidavits referred to are as follows:)

APRIL 16, 1958.

COMMONWEALTH OF PENNSYLVANIA,

County of Philadelphia, ss:

I, James P. Magill, being duly affirmed, do depose and state that I voluntarily furnish this statement to George M. Kopecky, known to me to be a member of the staff of the United States Senate Select Committee on Improper Activities in the Labor Management Field, and that this information may be used as required by this committee during the course of its business.

At the present time, I am a limited partner in the firm of Eastman Dillon, Union Securities & Co., and in the year 1955 I was the managing partner of that firm's offices in Philadelphia, Pa.

During the latter part of the year 1955, negotiations were arranged between my firm and the Food Fair Stores organization, represented by Louis Stein and Samuel Friedland, whereby an issue of debenture bonds and common stock in units, and common stock of Food Fair Properties, Inc., a corporation which became affiliated with Food Fair Stores, was to be offered to the stockholders of Food Fair Stores, Inc., and to the general public.

Eastman Dillon & Co. participated as the managing underwriter of this offering.

On August 17, 1955, a registration statement relating to this offering of the debenture bonds and common stock of Food Fair Properties, Inc., was filed with the Securities and Exchange Commission and through newspaper announcements after the release of the issue by the SEC. As a result, a demand began to develop for the common stock by various customers desirous of purchasing this security.

During the intervening period between the filing date of August 17, 1955, and September 14, 1955, the date when trading commenced, the requests by customers for the 650,000 shares of common stock of Food Fair Properties, Inc., were such that it developed this offering was oversubscribed.

After the offering was filed with the SEC on August 17, 1955, Mr. Louis Stein discussed with me the possibility of submitting the names of certain friends,

employees, and associates of the Food Fair organization who might be permitted to purchase some of the issue of the 650,000 shares of common stock of Food Fair Properties, Inc.

This was an acceptable arrangement to Eastman Dillon & Co., and thereafter a list of names was submitted by Mr. Louis Stein to me. These persons were given consideration toward the purchase of this common stock.

It is to be noted there was not any obligation or agreement of any nature whereby the Eastman Dillon firm was required or bound to fulfill the requests as set forth in this list submitted by Mr. Stein. Eastman Dillon & Co. had the right to reject all or any portion of this recommended list.

The list of names, as submitted by Mr. Stein, was furnished during the period between August 17, 1955, and September 14, 1955, and probably nearer the latter date.

During this period, Mr. Stein and I were in periodic contact relative to the proposed offering, and at the times of these contacts, I informed Mr. Stein of the demand developing for the common stock and the fact there were indications the issue of common stock might be oversubscribed.

In summary, the following developed with regard to the aforementioned offering of securities of Food Fair Properties, Inc.:

1. Between the filing date of August 17, 1955, and September 14, 1955, the date when trading commenced, an active demand developed for the common stock. During this period, the portion of the offering, consisting of 650,000 shares of common stock, became oversubscribed. This indicated the offering would probably be successful and that the common stock and the units of debenture bonds with common stock would probably sell on the open market at a premium above the offering price.

2. At the time of my contacts with Louis Stein, I kept him informed of the above developments and circumstances.

Affirmed to before me this 16th day of April 1958.

JAMES P. MAGILL,

Affiant.

CATHARINE G. MAGEE,

Notary Public, Philadelphia, Philadelphia Co.

My commission expires March 5, 1961.

I, D. Frederick Barton, being duly sworn, do depose and state that I voluntarily furnished this statement to George M. Kopecky, known to me to be a member of the staff of the United States Senate Select Committee on Improper Activities in the Labor or Management Field, and that this information may be used as required by this committee during the course of its business.

At the present time I serve as the general manager of Eastman Dillon, Union Securities & Co., and have served in this capacity since March 1, 1953.

During the year 1955, negotiations were arranged between my firm and Food Fair Stores, Inc., represented by Louis Stein and others, whereby an issue of debenture bonds and common stock in units, and common stock of Food Fair Properties, Inc., a corporation which became affiliated with Food Fair Stores, Inc. was to be offered to the stockholders of Food Fair Stores, Inc. and to the general public.

Eastman Dillon & Co. participated as the managing underwriter of this offering.

On August 17, 1955, a registration statement relating to this offering of the debenture bonds and common stock of Food Fair Properties, Inc. was filed with the Securities and Exchange Commission in accordance with the required regulations.

At about this time the offering was brought to the attention of the public as a result of the filing with the Securities and Exchange Commission and through newspaper announcements after the release of the issue by the Securities and Exchange Commission.

As a result a demand began to develop for the common stock by various individuals desirous of purchasing this security. During the intervening period between the filing date of August 17, 1955, and September 13, 1955, the date when trading commenced, the request made by customers of the firm and others for the 650,000 shares of common stock of Food Fair Properties Inc. was such that it eventually developed this offering of the common stock was oversubscribed.

Prior to the effective date of this offering—which was at the close of business on September 13, 1955—a list of recommended names of prospective purchasers for the common stock was delivered by Food Fair Stores, Inc. to my firm's offices in Philadelphia.

Of the 650,000 shares ultimately sold to buyers selected by the underwriter, approximately 359,000 shares were sold to persons appearing on the recommended list. In view of the fact that the common stock offering became over-subscribed, certain of the requests from customers of Eastman Dillon to purchase the stock could not be and were not honored.

It was my opinion that in order for this financing and also the future growth of this company to be successful, the market for the common stock after the effective date should be in excess of the offering price.

Such a result would ultimately depend on numerous factors, including favorable market conditions. Assuming all of these favorable factors, it was my opinion that this common stock would trade above the offering price, probably as high as \$1.50 per share.

D. FREDERICK BARTON.

Sworn to before me this 7th day of May, 1958.

EDW. J. KICK, *Notary public, State of New York.*

No. 30-2106900. *Certified in Nassau County.* Certificate filed in New York County.

Term expires March 30, 1959.

Mr. KOPECKY. One is signed by Mr. James Magill, dated April 16. Mr. Magill was the partner in the Philadelphia office. He indicated in this affidavit as follows:

During the latter part of the year 1955, negotiations were arranged between my firm and the Food Fair Stores organization, represented by Louis Stein and Samuel Friedland, whereby an issue of debenture bonds and common stock in units, and common stock of Food Fair Properties, Inc., a corporation which became affiliated with Food Fair Stores, was to be offered to the stockholders of Food Fair Stores, Inc., and to the general public. Eastman Dillon & Co. participated as the managing underwriter of this offering.

On August 17, 1955, a registration statement relating to this offering of the debenture bonds and common stock of Food Fair Properties, Inc., was filed with the Securities and Exchange Commission in accordance with the required regulations. At about this time, the offering was brought to the public's notice as a result of the filing with the Securities and Exchange Commission and through newspaper announcements after the release of the issue by the SEC. As a result, a demand began to develop for the common stock by various customers desirous of purchasing this security. During the intervening period between the filing date of August 17, 1955, and September 14, 1955, the date when trading commenced, the requests by customers for the 650,000 shares of common stock of Food Fair Properties, Inc., were such that it developed this offering was oversubscribed.

After the offering was filed with the SEC on August 17, 1955, Mr. Louis Stein discussed with me the possibility of submitting the names of certain friends, employees, and associates of the Food Fair organization who might be permitted to purchase some of the issue of the 650,000 shares of common stock.

The CHAIRMAN. Read that again. He submitted what?

Mr. KOPECKY (reading).

After the offering was filed with the SEC on August 17, 1955, Mr. Louis Stein discussed with me the possibility of submitting the names of certain friends, employees, and associates of the Food Fair organization who might be permitted to purchase some of the issue of the 650,000 shares of common stock of Food Fair Properties, Inc. This was an acceptable arrangement to Eastman Dillon & Co., and, thereafter, a list of names was submitted by Mr. Louis Stein to me. These persons were given consideration toward the purchase of this common stock. It is to be noted there was not any obligation or agreement of any nature whereby the Eastman Dillon firm was required or bound to fulfill the requests as set forth in this list submitted by Mr. Stein. Eastman Dillon & Co. had the right to reject all or any portion of this recommended list.

The list of names, as submitted by Mr. Stein, was furnished during the period between August 17, 1955, and September 14, 1955, and probably nearer the latter

date. During this period, Mr. Stein and I were in periodic contact relative to the proposed offering, and at the times of these contacts I informed Mr. Stein of the demand developing for the common stock and the fact there were indications the issue of common stock might be oversubscribed.

In summary, the following developed with regard to the aforementioned offering of securities of Food Fair Properties, Inc.:

(1) Between the filing date of August 17, 1955, and September 14, 1955, the date when trading commenced, an active demand developed for the common stock. During this period, the portion of the offering, consisting of 650,000 shares of common stock, became oversubscribed. This indicated the offering would probably be successful and that the common stock and the units of debenture bonds with common stock would probably sell on the open market at a premium above the offering price.

(2) At the time of my contacts with Louis Stein, I kept him informed of the above developments and circumstances.

This is signed James Magill and affirmed.

There is a second affidavit prepared by Mr. D. Frederick Barton, who is the managing partner of the underwriting firm in New York. He advises as follows:

On August 17, 1955 a registration statement relating to this offering of the debenture bonds and common stock of Food Fair Properties, Inc., was filed with the Securities and Exchange Commission in accordance with the required regulations. At about this time the offering was brought to the attention of the public as a result of the filing with the Securities and Exchange Commission and through newspaper announcements after the release of the issue by the Securities and Exchange Commission. As a result a demand began to develop for the common stock by various individuals desirous of purchasing this security.

During the intervening period between the filing date of August 17, 1955, and September 13, 1955, the date when trading commenced, the request made by customers of the firm and others for the 650,000 shares of common stock of Food Fair Properties, Inc., was such that it eventually developed this offering of the common stock was oversubscribed.

Prior to the effective date of this offering (which was at the close of business on September 13, 1955), a list of recommended names of prospective purchasers for the common stock was delivered by Food Fair Stores, Inc., to my firm's offices in Philadelphia. Of the 650,000 shares ultimately sold to buyers selected by the underwriter, approximately 359,000 shares were sold to persons appearing on the recommended list. In view of the fact that the common stock offering became oversubscribed, certain of the requests from customers of Eastman Dillon to purchase the stock could not be and were not honored.

It was my opinion that in order for this financing and also the future growth of this company to be successful, the market for the common stock after the effective date should be in excess of the offering price. Such a result would ultimately depend on numerous factors, including favorable market conditions. Assuming all of these favorable factors, it was my opinion that this common stock would trade above the offering price, probably as high as \$1.50 per share.

That is signed by D. Frederick Barton, and notarized.

Mr. KENNEDY. We were talking about the shares themselves; that there was a preferred list that was sent over, or a list of those individuals who had the right to purchase stock for \$1 a share.

Mr. KOPECKY. That is right.

Mr. KENNEDY. And the stock came on the market and was available on the market on what day?

Mr. KOPECKY. On September 14, 1955, was the first day of trading.

Mr. KENNEDY. And this list was sent over just prior to that time, is that right?

Mr. KOPECKY. Just prior to that.

Mr. KENNEDY. You have the names here of the 20 individuals, the 20 labor officials, who had the right to purchase this stock for \$1 a share, is that right?

Mr. KOPECKY. Yes.

Mr. KENNEDY. At that time, when they had the right to purchase the stock for \$1 a share, what was it actually selling for?

Mr. KOPECKY. When these people were allocated the stock and were able to buy it for \$1 a share, it was selling for approximately \$4 a share.

Mr. KENNEDY. Let's go down this list.

Max Block, who also received some of these units, was given the right, he and his brother were given the right to purchase 2,000 shares?

Mr. KOPECKY. Just Max Block alone.

Mr. KENNEDY. At a cost of \$2,000?

Mr. KOPECKY. That is right.

Mr. KENNEDY. And actually at that time they were worth \$8,000?

Mr. KOPECKY. That is right.

Mr. KENNEDY. Paul Lafayette, 1,000 shares, and the value of the shares at that time was \$4,000?

Mr. KOPECKY. \$4,000.

Mr. KENNEDY. He ultimately sold those shares?

Mr. KOPECKY. Mr. Lafayette ultimately sold the common stock.

Mr. KENNEDY. He kept it for 6 months?

Mr. KOPECKY. Yes, he kept it for approximately 6 months and sold 1,000 shares for about \$4,800.

Mr. KENNEDY. So he made, on that deal, some \$3,800?

Mr. KOPECKY. On a \$1,000 investment he made about \$3,800 in 6 months.

Mr. KENNEDY. And he also separated the stock and the bonds and he sold that also, did he not?

Mr. KOPECKY. Yes. After the stock and bonds could be separated, he sold the stock which he received.

Mr. KENNEDY. So in summary, Lafayette invested a total of \$8,000, and sold part of his interest, and received \$8,300 from the sale, and still retains \$8,000 worth of bonds?

Mr. KOPECKY. That is true.

Mr. KENNEDY. Jack Shore bought 2,000 shares?

Mr. KOPECKY. Yes. Ultimately, Jack Shore paid \$2,000.

Mr. KENNEDY. And they were worth \$8,000?

Mr. KOPECKY. Yes.

Mr. KENNEDY. Was his name always on the list or were there any other names on the list?

Mr. KOPECKY. His name was not originally on this list. There was a typewritten list prepared which reflected the names of Raymond Cohen for 1,000 shares and Ben Lapensohn for 1,000 shares. These names were stricken out, and Jack Shore's name substituted.

Mr. KENNEDY. Do you have that list?

Mr. KOPECKY. Yes, I do.

I have the list in front of me.

The CHAIRMAN. Is that the original list or a photostatic copy?

Mr. KOPECKY. This is a photostat of the original list obtained from the underwriting firm. It was not available at the Food Fair organization.

The CHAIRMAN. May I see it a moment?

(The document was handed to the committee.)

The CHAIRMAN. This list may be made Exhibit 58.

(The document referred to was marked "Exhibit No. 58" for reference, and may be found in the files of the select committee.)

The CHAIRMAN. You obtained this list from the files of the underwriting company?

Mr. KOPECKY. Yes, Mr. Chairman.

The CHAIRMAN. Do the records show who submitted this list?

Mr. KOPECKY. No; the record does not show. That was furnished to me by various officers of the Eastman Dillon Co.

The CHAIRMAN. I believe that is covered in the affidavit, is it not?

Mr. KOPECKY. Yes.

The CHAIRMAN. That the list came from Mr. Stein?

Mr. KOPECKY. From Mr. Louis Stein.

The CHAIRMAN. The title on that reads "D," and I don't know what that means, and then it reads "suggested names of labor men for consideration in connection with Food Fair Properties, Inc., stock."

This was obtained from the files of the underwriter?

Mr. KOPECKY. Yes, sir.

The CHAIRMAN. This list does not show who submitted it, but the affidavits say that Mr. Stein submitted the list?

Mr. KOPECKY. That is correct.

Mr. KENNEDY. That list that you have there shows that Mr. Raymond Cohen's and Mr. Ben Lapensohn's names were crossed out?

Mr. KOPECKY. Yes. Originally their names were on the list and then crossed out and Mr. Jack Shore's name replaced theirs.

Mr. KENNEDY. For 2,000?

Mr. KOPECKY. For 2,000 shares.

Mr. KENNEDY. He is the brother-in-law, is he not?

Mr. KOPECKY. He is the brother-in-law of Ben Lapensohn.

The CHAIRMAN. I believe you said on the same day Jack Shore purchased it Lapensohn reimbursed him for \$10,000.

Mr. KOPECKY. Lapensohn reimbursed Shore for the \$10,000 of bonds on the same day and 4 days later—separate checks were issued for the bonds and for the stock. On the same day, a reimbursement was made for the bonds and 4 days afterward a payment in an identical amount of \$2,000 was made by Lapensohn to Shore.

The CHAIRMAN. So Shore was reimbursed a total of \$12,000?

Mr. KOPECKY. Shore was reimbursed a total of \$12,000.

The CHAIRMAN. \$10,000 in 1 check on the day the packages were purchased, and \$2,000 some 4 days after the common stock was purchased?

Mr. KOPECKY. That is correct, Mr. Chairman.

Mr. KENNEDY. The next name on this list is Mrs. Nicholas Novellino, 500 shares.

Mr. KOPECKY. That is right.

Mr. KENNEDY. Who was she?

Mr. KOPECKY. Mrs. Novellino is the sister, the married sister, of Eugene Kennedy. Eugene Kennedy is the general manager—he is the business manager of Local 1500 of the Retail Clerks.

Mr. KENNEDY. In New York?

Mr. KOPECKY. In New York, yes.

Mr. KENNEDY. And Joseph Belsky?

Mr. KOPECKY. Joseph Belsky is vice president of the International Butchers Union in New York.

Mr. KENNEDY. Both of those unions have contracts with Food Fair?

Mr. KOPECKY. Mr. Kennedy's union does have. Mr. Belsky's union does not. He is a vice president of the international union and responsible for the supervision of a number local unions in the Greater New York area.

Mr. KENNEDY. His local unions have?

Mr. KOPECKY. His local unions which he supervises do have, yes.

Mr. KENNEDY. And he paid \$1,000 and the stock was worth \$1,000?

Mr. KOPECKY. That is correct.

Mr. KENNEDY. And John Tennyson?

Mr. KOPECKY. Yes, Mr. Tennyson also did purchase some common stock.

Mr. KENNEDY. Do you have his identification? Do you have the rest of these?

Mr. KOPECKY. I have to look each one of them up. I have them in a schedule here, and as soon as I locate the schedule, I will be able to read them all off at the same time.

Mr. Tennyson is a representative of local 162, in Baltimore, of the Amalgamated Meat Cutters and Butchers Union.

Mr. KENNEDY. Elizabeth Abramoff?

Mr. KOPECKY. Elizabeth Abramoff is the wife of William Abramoff, who is the president of Local 1358 of the Retail Clerks Union in New Jersey, and is also president of the Retail Clerks District Council 11.

Mr. KENNEDY. They also have contracts?

Mr. KOPECKY. Yes, they do.

Mr. KENNEDY. John Haletsky.

Mr. KOPECKY. John Haletsky is the official in charge of Local 1393 of the Retail Clerks Union in Reading, Pa. Contracts are maintained between his union and Food Fair.

Mr. KENNEDY. They cost \$400 and were worth approximately \$1,600?

Mr. KOPECKY. Yes.

Mr. KENNEDY. Jack Birl.

Mr. KOPECKY. Jack Birl is the business representative of Local 199 of the Butchers Union in Millsboro, Del.

Mr. KENNEDY. And Vincent LoCasale?

Mr. KOPECKY. LoCasale is the financial secretary and treasurer of Local 195 of the Butchers Union in Philadelphia, and there is a contract in existence between his union and Food Fair.

Mr. KENNEDY. Rocco Rossano?

Mr. KOPECKY. Rossano is the vice president of local 195, the same as LoCasale.

Mr. KENNEDY. Joseph Snyder?

Mr. KOPECKY. Snyder, who is presently deceased, was an official along with Rossano and LoCasale of Local 195 of the Butchers.

Mr. KENNEDY. Allan Love?

Mr. KOPECKY. Allan Love is a representative, a union official in Common Laborers' Local Union No. 57 in Philadelphia.

Mr. KENNEDY. Do they have a bargaining arrangement?

Mr. KOPECKY. Yes.

Mr. KENNEDY. They do. Anthony Matz?

Mr. KOPECKY. Anthony Matz is the president of the Firemen and Oilers Union.

Mr. KENNEDY. What union is it?

Mr. KOPECKY. That is the Firemen and Oilers Union.

Mr. KENNEDY. Do they have a contract?

Mr. KOPECKY. Yes, they do.

Mr. KENNEDY. Irving Kaplan?

Mr. KOPECKY. Irving Kaplan is the business manager and president of Local 464 of the Butchers Union in Newark.

Mr. KENNEDY. And Max Becker?

Mr. KOPECKY. Max Becker is the union official connected with Local 1262 of the Retail Clerks in Newark.

Mr. KENNEDY. And Bernadette Casale?

Mr. KOPECKY. Bernadette Casale is the wife of William Casale, who is the secretary-treasurer of local 342, which is Max Block's union, and Max Block is the president of that union.

Mr. KENNEDY. That is the Butchers?

Mr. KOPECKY. Yes, of the Butchers Union.

Mr. KENNEDY. Joseph D'Urso received 100 shares.

Mr. KOPECKY. Joseph D'Urso was a business agent for Local 1390 of the Retail Clerks Union in Philadelphia.

Mr. KENNEDY. Do they have a contract?

Mr. KOPECKY. No, this union does not have a contract with Food Fair.

Mr. KENNEDY. Could we get an explanation on that?

Mr. KOPECKY. Mr. D'Urso, and also the next name which appears on this list, William Cherry, both of these people indicated that they consider themselves personal friends and acquaintances of Louis Stein.

Mr. KENNEDY. What about Mr. Leon Shacter?

Mr. KOPECKY. Leon Shacter is the vice president in the International Butchers Union. He is also cochairman of the joint organizing committee of Butchers and Teamsters, and he is also president of Butchers Local 56 in Camden, N. J.

Mr. KENNEDY. Do they have a contract?

Mr. KOPECKY. Yes.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Did you find any evidence that stock or bonds or unit packages were offered to employees generally?

The CHAIRMAN. Yes, I did.

Senator CURTIS. Briefly, what was the situation?

Mr. KOPECKY. As indicated in the affidavit furnished by Mr. Magill and Mr. Barton, Mr. Stein indicated that there were certain friends, relatives, and associates—

Senator CURTIS. No. I mean anybody that worked there; were their rights given?

Mr. KOPECKY. Yes; certain officials were furnished rights.

Senator CURTIS. I am talking about the rank and file employees.

Mr. KOPECKY. The rank and file of the employees were not given rights.

Senator CURTIS. I do not need the names, but about how many were employees? Were they all officers?

Mr. KOPECKY. They were all officers or relatives of officers, ranking officials.

Senator CURTIS. In the company?

Mr. KOPECKY. Yes, sir.

Senator CURTIS. And they would be regarded as management employees?

Mr. KOPECKY. Yes; that is right.

Senator CURTIS. I see here that Anthony Matz sold his stock in 1958 for \$600, and the value when he got it was \$1,200. Did the stock go down?

Mr. KOPECKY. Yes; it did.

Senator CURTIS. What is it worth now?

Mr. KOPECKY. Approximately \$2 a share.

Senator CURTIS. What is the value of the bonds?

Mr. KOPECKY. Approximately \$35 to \$40.

Senator CURTIS. Does the bond have to stand alone now?

Mr. KOPECKY. The bond stands alone.

Senator CURTIS. So if someone purchased a bond and 11 shares of stock for \$50, the bond was worth \$37 or so?

Mr. KOPECKY. That is accurate.

Senator CURTIS. And 11 shares of stock would be worth \$11. It would have a value of \$59?

Mr. KOPECKY. \$59 or \$60.

Senator CURTIS. Did all of these larger labor leaders—by larger, I mean the labor leaders who got the larger amounts—do they all still hold their stocks?

Mr. KOPECKY. Yes.

Senator CURTIS. The Blocks and Jack Shore?

Mr. KOPECKY. Yes.

Senator CURTIS. Lafayette sold part of his?

Mr. KOPECKY. That is right.

Senator CURTIS. On this chart, this list of names beginning with Mrs. Nicholas Novellino, and going down, you have identified them as union officers. Do you know whether any of them were also actually employees of Food Fair?

Mr. KOPECKY. To my knowledge, after interviewing these individuals, they were not employees of Food Fair.

Senator CURTIS. At least the greater amount were not?

Mr. KOPECKY. That is right.

Senator CURTIS. That is all.

Mr. KENNEDY. In answer to Senator Curtis, if the bonds are now worth about \$30, then Paul Lafayette's bonds down here would not be worth as much as \$8,000, would they?

Mr. KOPECKY. No. That was the original face value of the \$50 bond.

Mr. KENNEDY. We have in summary that Lafayette invested a total of \$9,000; has received a total of about \$8,300 from the sales and still retains the \$8,000 in bonds. \$6,000 would be closer to it rather than the \$8,000.

Mr. KOPECKY. That is correct.

Senator CURTIS. How many bonds does he hold?

Mr. KOPECKY. He holds 160 units, each unit being \$50.

Mr. KENNEDY. Initially. Now what are they worth?

Mr. KOPECKY. Now they are worth less than \$50.

Mr. KENNEDY. Because the stock has been separated.

Mr. KOPECKY. Because the stock has been withdrawn from the package.

Senator CURTIS. All he has left is the bonds?

Mr. KOPECKY. That is right.

Senator CURTIS. How many does he have?

Mr. KOPECKY. 160 units.

Senator CURTIS. 160 bonds?

Mr. KOPECKY. 160 bonds, that is right.

Senator CURTIS. And you say they are worth about \$37.50 now?

Mr. KOPECKY. Yes.

Senator CURTIS. In other words, to reflect the current market, that \$8,000 in bonds retained by Lafayette, in summary, would be less, as it reflects today's market.

Mr. KOPECKY. That is right. The base value is 8, but the actual trading value in the stock market is about \$6,000.

Senator CURTIS. Do you know what interest the bonds pay?

Mr. KOPECKY. 5.5 percent.

Mr. KENNEDY. Elizabeth Abramoff, do you have her identification?

Mr. KOPECKY. Elizabeth Abramoff is the wife of William Abramoff.

Mr. KENNEDY. What is he?

Mr. KOPECKY. President of local 1358 of the Retail Clerks Union, Atlantic City, and president of the Retail Clerks Union District Council No. 11.

Mr. KENNEDY. John Haletsky.

Mr. KOPECKY. John Haletsky is an official in local 1393 of the Retail Clerks Union in Reading, Pa.

Mr. KENNEDY. And Jack Birl?

Mr. KOPECKY. An official in local 199 of the Butchers Union in Millsboro, Del.

Mr. KENNEDY. And Vincent LoCasale?

Mr. KOPECKY. Vincent LoCasale is the financial secretary-treasurer of local 195 of the Butchers Union in Philadelphia.

Mr. KENNEDY. And Rocco Rossano?

Mr. KOPECKY. He is the vice president of the same local, local 195 of the Butchers Union, in Philadelphia.

Mr. KENNEDY. Of these 20 individuals who received the stock, 17 of them belong to local unions which have direct contracts with Food Fair, is that right?

Mr. KOPECKY. That is correct.

Mr. KENNEDY. One of them is a vice president of an international whose locals have contracts?

Mr. KOPECKY. In the area for which he is responsible, the locals have contracts.

Mr. KENNEDY. And two of them, Joseph D'Urso and William Cherry have nothing whatsoever to do with the Food Fair?

Mr. KOPECKY. That is correct.

Mr. KENNEDY. They have absolutely nothing to do with Food Fair. They happen to be in the category of labor men, but they do not have anything to do with them?

Mr. KOPECKY. They do not have any working agreements with Food Fair, that is right.

Mr. KENNEDY. And all of these individuals were able to purchase shares of stock worth \$12,100 for \$48,400.

Mr. KOPECKY. Which were worth \$48,400.

Mr. KENNEDY. Which were worth \$48,400. So together with the value of the bonds and the shares of stock, these individuals were able to purchase, in summary, for \$42,100, bonds and stock worth \$90,400?

Mr. KOPECKY. That is right. These people made an outlay of \$42,100, and the value of the securities which they purchased at the time they made the outlay were worth \$90,400.

Mr. KENNEDY. As of the date of issue?

Mr. KOPECKY. When their checks were issued, yes.

Mr. KENNEDY. So they received over 100 percent profit immediately?

Mr. KOPECKY. That is right.

Mr. KENNEDY. Or 100 percent came to them. They were well worth over twice the value they paid for them.

Mr. KOPECKY. That is right.

The CHAIRMAN. Is there anything further?

If not, thank you.

Call the next witness.

Mr. LUCAS. Mr. Chairman, may I make an inquiry during this lull?

The CHAIRMAN. Yes.

Mr. LUCAS. I should like to ask the distinguished Senator from Arkansas whether it is customary to read into the record in these proceedings affidavits without Senators who might want to cross-examine the individual who made the oath.

The CHAIRMAN. Yes, we have permitted affidavits to be read into the record and also made exhibits, whenever he is testifying from them and the affidavits support the testimony, where he has gotten the corroboration. We usually put them into the record. At other times when affidavits are submitted, they are just made exhibits. But, of course, the exhibits are part of the records.

Mr. LUCAS. I appreciate that, but I wondered whether or not the committee has ever had occasion to call before the committee a witness who has made such an affidavit in order that Senators around might be able to cross-examine him.

The CHAIRMAN. I am trying to recall. There may have been one or two instances where we have had affidavits and then later called the witness for examination. I believe we have in one or two instances, have we not? I think there have been one or two instances. Am I right?

Senator CURTIS. I believe, Mr. Chairman, in the case of John Dies, in the Kohler hearing, that was the situation. He was an older man and there was some conflict as he went along with his own statements and he was called in. I think in fairness it should be said that he was not trained in legal documents, affidavits, and that sort of thing, and he was called in.

The CHAIRMAN. I would say this: If there is any question about the veracity or the information contained in the statements, and the Senator would like to have one of these witnesses called, the committee will consider it.

Mr. LUCAS. I appreciate that, Senator. I made inquiry for the purpose of ascertaining what the practice was, really.

The CHAIRMAN. You can appreciate why we do this. It is simply in the interest of economy. We can subpoena all of these witnesses here, and if we are just going to get 1 or 2 facts that are corroborating, sometimes we will use the affidavits as corroborating what a witness will testify to.

Mr. LUCAS. Thank you very much.

The CHAIRMAN. Call the next witness.

Mr. KENNEDY. Mr. Jack Shore.

The CHAIRMAN. Mr. Shore, you do solemnly swear the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SHORE. I do.

**TESTIMONY OF JACK SHORE, ACCOMPANIED BY COUNSEL,
RAYMOND A. SPEISER**

The CHAIRMAN. Mr. Shore, state your name, your place of residence, and your business or occupation.

Mr. SHORE. I am Jack Shore. I live at Latches Lane Apartments, Merion, Pa. I am in the woolen waste business.

The CHAIRMAN. Woolen waste business?

Mr. SHORE. That is right, sir.

The CHAIRMAN. You have counsel?

Mr. SHORE. Yes, I do.

The CHAIRMAN. Counsel, identify yourself for the record.

Mr. SPEISER. My name is Raymond Speiser. I am a member of the Philadelphia Bar. I have offices at 1000 Girard Trust Building, Philadelphia.

Mr. KENNEDY. What did you say your occupation was?

Mr. SHORE. Woolen waste.

Mr. KENNEDY. In Philadelphia?

Mr. SHORE. That is right, sir.

Mr. KENNEDY. Do you have any other sources of income?

(The witness conferred with his counsel.)

Mr. SHORE. I respectfully decline to answer on the grounds that I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. Mr. Shore, do you know Mr. Benjamin Lapensohn?

Mr. SHORE. Yes, I do. He is my brother-in-law.

Mr. KENNEDY. How long have you known him?

(The witness conferred with his counsel.)

Mr. SHORE. About 26 years.

Mr. KENNEDY. Have you had any business dealings with him?

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. Did you have any business connections with him in relation to the New York Federationist?

Mr. SHORE. I respectfully decline to answer for the same reason.

Mr. KENNEDY. Did you have any business dealings with him in connection with local 107 of the Teamsters Union in Philadelphia?

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. Could you tell the committee how it was that you came to purchase some of the stock of Food Fair Properties?

Mr. SHORE. I respectfully decline to answer for the same reason.

Mr. KENNEDY. Could you tell us how you came to purchase some of the units of the Food Fair Co.?

Mr. SHORE. I respectfully decline to answer for the same reason.

The CHAIRMAN. You better state the reason occasionally. "The same" kind of wears out.

Mr. SHORE. All right, sir.

The CHAIRMAN. Proceed.

Mr. KENNEDY. Was there any arrangement made between you and Mr. Stein and Mr. Lapensohn regarding the purchase of this stock?

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. Could you tell the committee why your name is substituted for both Cohen and Lapensohn on the suggested list?

Mr. SHORE. I respectfully decline to answer for the same reason.

Mr. KENNEDY. Could you explain what these two checks are, dated September 23, 1955, and October 3, 1955?

The CHAIRMAN. I hand you a photostatic copy of checks, two of them, one dated, apparently, October 3, 1955, in the amount of \$10,000, payable to you, and issued by Ben Lapensohn. I will ask you to examine that check, together with another one dated September 23, 1955, in the amount of \$2,000, made payable to you, signed by Ben Lapensohn. I will ask you to examine these checks and state if you identify them as photostatic copies of the originals. The first is in the amount of \$10,000, No. 2334, and the one in the amount of \$2,000 is No. 2313.

(The documents were handed to the witness.)

Mr. SHORE. I respectfully decline—

The CHAIRMAN. Have you examined the checks?

(The witness conferred with his counsel.)

Mr. SHORE. I have, sir.

The CHAIRMAN. Do you identify them?

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

The CHAIRMAN. Those checks may be made exhibit 59A and B. (The documents referred to were marked "Exhibit Nos. 59A and B" for reference and will be found in the appendix on pp. 11184-11185.)

The CHAIRMAN. I will ask you to examine the endorsement on the reverse side of those checks and state whose signature appears thereon.

(The witness conferred with his counsel.)

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

The CHAIRMAN. Do you recognize the signature of your brother-in-law, Mr. Ben Lapensohn?

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

The CHAIRMAN. Were these checks given to you in reimbursements for money you had paid out of the purchase of certain bonds and stocks of the Food Fair Properties, Inc.?

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

The CHAIRMAN. Do you think the purchasing of stock and the selling of it, or the purchasing of stock and transferring it to someone else, acting as agent for them, is something that might incriminate you?

Mr. SHORE. It might be some evidence against me.

The CHAIRMAN. If this was a transaction that was open, honest, and above board, and not one that was intended, for the truth about it, to be concealed, something to be hidden, something not to be uncovered, since the transaction was consummated long ago, what do you think there is about it now that might be incriminating?

Mr. SHORE. It might be some evidence against me.

The CHAIRMAN. We have a situation here now where evidence is indicating there were some arrangements between labor leaders and management for them to engage in certain transactions, whereby the labor leaders, at least, and people affiliated with labor unions having contracts and business transactions with Food Fair Properties, the Food Fair company, might profit. If this is in error, if there is anything that we are developing here that is not factual, that is not the truth, but if these are just ordinary transactions that happened without any peculiar reason for their being made, not different from the ordinary transactions, I think you owe it to Food Fair Stores to make an explanation of it and state what the facts are.

You tend to cast a reflection when you come in here and say you can't tell about these transactions because there is something there that might tend to incriminate you.

You are not the only one involved. On the face of it, it is just an ordinary transaction where you might have purchased stock for your brother-in-law and then transferred it to him and he reimbursed you. If you can do it without self-incrimination, I think you owe it to Food Fair Stores to explain it and state what the facts are.

(The witness conferred with his counsel.)

The CHAIRMAN. Do you want to confer with your client a moment? You may.

(The witness conferred with his counsel.)

Mr. SHORE. I respectfully decline to answer upon the ground I am not required to give evidence against myself under the fifth amendment.

The CHAIRMAN. I cannot be the judge of that, but I can say this to you: By taking that position, you are casting implications here that are hurting other people. I am trying to get the truth. If the implications are facts and they are calculated to hurt, let them hurt. But if they are not, you are in a position to help clear it up. I think you owe it to them, unless there is something in here definitely that would tend to incriminate you if you told the truth.

(The witness conferred with his counsel.)

Mr. SHORE. It might be some evidence against me.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Senator Curtis.

Senator CURTIS. You realize, Mr. Shore, you cannot claim this privilege because it might incriminate somebody else, do you not, if it does not incriminate yourself?

Mr. SHORE. Yes, I realize it.

Senator CURTIS. Have you been advised that these transactions, as testified to by Mr. Kopecky, if true, were a violation of law?

(The witness conferred with his counsel.)

Mr. SHORE. I have never been so advised.

Senator CURTIS. Do you believe them to be?

(The witness conferred with his counsel.)

Mr. SHORE. No, I don't.

Senator CURTIS. Then why wouldn't you testify to them, if the transactions are not a violation of law, if you do not believe them to be? Why cannot you answer the counsel's questions, I will put it specifically, and tell about these checks that bear your name?

(The witness conferred with his counsel.)

Mr. SHORE. I don't know whether they are violations of the law.

Senator CURTIS. Where is Mr. Ben Lapensohn now?

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

Mr. SPEISER. Mr. Chairman, would you permit me to confer with my client for a second, please?

The CHAIRMAN. Yes, you may.

(The witness conferred with his counsel.)

Mr. SHORE. Senator, I wish to answer that question directly. I do not know where Mr. Lapensohn is now.

The CHAIRMAN. Have you been in contact with him lately?

Mr. SHORE. No, I have not, Senator.

The CHAIRMAN. If you learn of his whereabouts, will you be kind enough to accommodate the committee by supplying the information?

(The witness conferred with his counsel.)

The CHAIRMAN. We would like your cooperation. I don't think that would tend to incriminate you.

(The witness conferred with his counsel.)

Mr. SHORE. I will answer any questions I can under subpoena, Senator.

The CHAIRMAN. Thank you. I thought I would ask a few you could answer.

Senator CURTIS.

Senator CURTIS. Were you connected with the Rolee Advertising Agency?

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

Senator CURTIS. Did you ever work for them?

Mr. SHORE. I respectfully decline to answer on the same ground.

Senator CURTIS. Are you acquainted with labor leaders in the area of Philadelphia?

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. Is there anything further?

Mr. KENNEDY. I would like to learn something about the purchase of these bonds, where you received 4,000 rights and purchased bonds

worth \$10,000, worth \$14,000 for \$10,000. Would you explain that to us at all?

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. Why were you selected to have this right to make this \$4,000 profit?

Mr. SHORE. I respectfully decline to answer upon the same ground.

Mr. KENNEDY. Do you know Mr. Louis Stein?

Mr. SHORE. Yes, I do.

Mr. KENNEDY. Did he discuss this matter with you?

(The witness conferred with his counsel.)

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. Why would you be selected to purchase stock worth \$8,000 and be given the right to purchase it for \$2,000?

Mr. SHORE. I respectfully decline to answer upon the same ground.

Mr. KENNEDY. Why did Food Fair put you on that list?

Mr. SHORE. I respectfully decline to answer upon the same ground.

Mr. KENNEDY. Was it so that the name of Mr. Lapensohn and Mr. Raymond Cohen would not appear on the list?

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. Did you in fact transfer this stock to Lapensohn?

Mr. SHORE. I respectfully decline to answer upon the ground that I am not required to give evidence against myself under the fifth amendment.

Mr. KENNEDY. Do you know if he in turn transferred 1,000 shares of the stock to Raymond Cohen?

Mr. SHORE. I respectfully decline to answer upon the same grounds.

The CHAIRMAN. Are there any other questions?

Mr. Shore, you will remain under the same subpoena that you have responded to here today, subject to call by the committee. With that understanding, with notice being given to you or your attorney that you will return for further interrogation, you may be excused, if you accept that obligation.

Do you?

Mr. SHORE. Yes, I do, Senator.

The CHAIRMAN. You do?

Mr. SHORE. Yes, I do.

The CHAIRMAN. Thank you very much.

The committee will stand in recess until 2 o'clock.

(Whereupon, at 12:25 p. m. a recess was taken until 2 p. m. of the same day, with the following members present: Senators McClellan and Curtis.)

AFTERNOON SESSION

(At the reconvening of the committee, the following members are present: Senators McClellan and Curtis.)

The CHAIRMAN. The committee will come to order.

Call your next witness, Mr. Kennedy.

Mr. KENNEDY. Mr. Mandell.

The CHAIRMAN. Do you solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

**TESTIMONY OF SAMUEL P. MANDELL ACCOMPANIED BY COUNSEL,
MORTON WITKIN**

The CHAIRMAN. State your name, your place of residence, and your business or occupation.

Mr. MANDELL. My name is Samuel P. Mandell. I live at 475 War-
rick Road, Wynwood, Pa. I am in the produce business.

The CHAIRMAN. The what?

Mr. MANDELL. The produce business.

The CHAIRMAN. You have counsel with you?

Mr. MANDELL. Yes, sir.

The CHAIRMAN. Identify yourself.

Mr. WITKIN. My name is Morton Witkin. I am an attorney prac-
ticing law in the city of Philadelphia. I have my offices at 911
Finance Building, Philadelphia.

The CHAIRMAN. All right, Mr. Kennedy.

Mr. KENNEDY. Mr. Mandell, you are in the produce and fruit busi-
ness, is that correct?

Mr. MANDELL. Correct.

Mr. KENNEDY. You operate in the Philadelphia area?

Mr. MANDELL. Correct.

Mr. KENNEDY. And the Food Fair account is one of your largest
accounts?

Mr. MANDELL. One of them, yes, sir.

Mr. KENNEDY. Approximately one-third of your business, is that
right?

Mr. MANDELL. About that.

Mr. KENNEDY. You have known Mr. Louis Stein for a long period
of time, is that correct?

Mr. MANDELL. Yes, sir.

Mr. KENNEDY. He is a close friend of yours?

Mr. MANDELL. Yes, sir.

Mr. KENNEDY. I would like to ask you if he spoke to you in 1955,
or if you had some conversation with him in 1955, about the purchase
of some Dan River stock?

Mr. MANDELL. Yes, sir.

Mr. KENNEDY. That is Dan River Mills?

Mr. MANDELL. Correct.

Mr. KENNEDY. What is the Dan River Mills?

Mr. MANDELL. Dan River Mills is a textile organization.

Mr. KENNEDY. Where is that located?

Mr. MANDELL. In Danville, Va.

Mr. KENNEDY. Did you ever have anything to do with that company?

Mr. MANDELL. Yes, I did.

Mr. KENNEDY. Were you a director?

Mr. MANDELL. No. I am now, but I was a stockholder for quite
a few years.

MR. KENNEDY. What about Mr. Stein? Did he have anything to do with the company?

MR. MANDELL. He is a director now, and probably was a stockholder before.

MR. KENNEDY. Was he a director at that time, do you know?

MR. MANDELL. I don't think so.

MR. KENNEDY. Did you——

MR. WITKIN. May I interrupt a moment? I think if you wait a second, we can verify that answer.

MR. KENNEDY. Fine.

(The witness conferred with his counsel.)

MR. MANDELL. I cannot verify that at this moment.

MR. KENNEDY. But you are both directors at the present time?

MR. MANDELL. Yes.

MR. KENNEDY. Did you have some conversation with him in 1955 about the purchase of some of this stock?

MR. MANDELL. Yes, sir.

MR. KENNEDY. Did he agree to make some arrangements for you to purchase some Dan River stock, 1,000 shares, for about \$20,000?

MR. MANDELL. I didn't get that.

MR. KENNEDY. Was he going to make arrangements for you to purchase—and I will definitely open the details in a second—in brief, was he making arrangements for you to purchase 1,000 shares of the Dan River stock for \$20,000?

MR. MANDELL. Well, there was 1,000 shares promised to me during that year of some options that he was to get that was promised to him in the latter part of 1954.

MR. KENNEDY. And did he have some conversation with you about making some of this stock available to any other individual?

MR. MANDELL. Yes, sir.

MR. KENNEDY. Who was the other individual?

MR. MANDELL. Ben Lapensohn.

MR. KENNEDY. What did he tell you at that time?

MR. MANDELL. Well, it was about somewhere near the 28th of June when Mr. Stein had called me and asked me if I wouldn't give Mr. Ben Lapensohn 500 shares of Dan River stock at \$20 a share, and he would return it to me as soon as he received his stock.

MR. KENNEDY. Did you know Mr. Ben Lapensohn at that time?

MR. MANDELL. I have known him just to say "hello."

MR. KENNEDY. Did you get in touch with Mr. Ben Lapensohn?

MR. MANDELL. Yes, I did.

MR. KENNEDY. Did you in fact deliver him 500 shares?

MR. MANDELL. Pardon?

MR. KENNEDY. Did you in fact deliver him 500 shares?

MR. MANDELL. Yes, I did.

MR. KENNEDY. And you received from him a check for \$10,000?

MR. MANDELL. Yes, I did.

MR. KENNEDY. That was around the 27th of June 1955?

MR. MANDELL. Yes, sir.

MR. KENNEDY. The value of the stock at that time was approximately \$15,000. You are aware of that, are you not?

MR. MANDELL. About that, yes.

Mr. KENNEDY. That was a saving to Mr. Ben Lapensohn, or a gift to Mr. Ben Lapensohn of about \$5,000.

Mr. MANDELL. What it was, I don't know.

Mr. KENNEDY. Why did Mr. Stein say he wished to handle it in that fashion?

Mr. MANDELL. Well, for one, I had the stock available, and the other is he just asked me to do him the favor, which I did.

Mr. KENNEDY. Did he indicate to you at that time that he did not want to make any direct transfer of the stock to Mr. Lapensohn?

Mr. MANDELL. I don't recall. It could have been.

Mr. KENNEDY. Don't you understand that that was the reason?

Mr. MANDELL. It could have been.

Mr. KENNEDY. You understood that that was the reason, did you not?

Mr. MANDELL. Yes.

Senator CURTIS. I am not sure that I follow here. Was this stock available at a lesser price under some rights of existing stockholders?

Mr. MANDELL. No. With the exception that Mr. Stein had some options due him at the basis of \$20.

Senator CURTIS. And it involved you only to this extent, that you immediately made your stock available and then Mr. Stein replaced your stock?

Mr. MANDELL. Yes.

The CHAIRMAN. As I understood you, at the time of this transaction when you transferred a part of your stock, 500 shares, when you transferred 500 shares of stock that you owned in this company to Mr. Lapensohn, the stock was actually worth \$15,000, and you received only \$10,000?

Mr. MANDELL. Correct.

The CHAIRMAN. But you were to have your stock replaced by Mr. Stein?

Mr. MANDELL. Correct.

The CHAIRMAN. Then you took no loss?

Mr. MANDELL. Correct.

The CHAIRMAN. You simply acted in accommodation to Mr. Stein in the matter?

Mr. MANDELL. Correct.

The CHAIRMAN. So if the stock was selling for \$15,000 and you only received \$10,000, your loss was made up by a transfer to you from Mr. Stein of the same amount of stock?

Mr. MANDELL. Correct.

The CHAIRMAN. Any losses sustained, on the basis of what the stock sold for to Mr. Lapensohn, and what it would sell for on the market, any loss that might have been incurred, Mr. Stein sustained that loss?

Mr. MANDELL. Correct.

Mr. WITKIN. Mr. Chairman, may I confer with the witness for a moment? I think there is a very minor correction to be made.

The CHAIRMAN. All right.

(The witness conferred with his counsel.)

Mr. MANDELL. Senator, I sold the stock to Ben Lapensohn at \$20 a share. When the 500 shares were returned to me by Mr. Stein I had paid him \$21. There was a loss of \$500 on that particular sale.

The CHAIRMAN. Do you mean you lost \$500 in the transaction?

Mr. MANDELL. Yes.

The CHAIRMAN. That accommodation was pretty expensive for you, wasn't it?

Mr. MANDELL. Well, with the exception that Mr. Stein had promised to give me 1,000 shares of his options that he was to receive, and I received them at the basis of \$21, which was a fairly good deal to me, and I wasn't going to make any issue out of the \$500.

The CHAIRMAN. So you didn't make an issue of the \$500?

Mr. MANDELL. No.

The CHAIRMAN. I present to you here 4 photostatic copies of stock certificates—5 photostatic copies of stock certificates—in the amount of \$100 each on the Dan River Mills in the name of Samuel P. Mandell. I ask you to examine those stock certificates and state if they are photostatic copies of the originals which you transferred, and if you transferred them to Mr. Lapensohn as appears on the back of the stock.

(Documents referred to were handed to the witness.)

Mr. MANDELL. Yes, they are, Senator.

The CHAIRMAN. They may be made exhibit 60A, B, C, D, and E.

(Documents referred to were marked "Exhibit 60A, B, C, D, and E" for identification, and may be found in the files of the select committee.)

The CHAIRMAN. I hand you a check in the amount of \$10,000, dated June 27, 1955, a treasurer's check on the Broad Street Trust Co. I ask you to examine that check and state if you received that in payment for the stock you transferred.

(Document referred to was handed to the witness.)

(The witness conferred with his counsel.)

Mr. MANDELL. Yes; that is correct, Senator.

Mr. WITKIN. May I add something?

The CHAIRMAN. Yes.

Mr. WITKIN. I just want to show that he deposited that check.

The CHAIRMAN. You deposited the check?

Mr. MANDELL. To my personal account.

The CHAIRMAN. This may be made exhibit 60 (F).

(Document referred to was marked "Exhibit No. 60 (F)" for reference, and will be found in the appendix on p. 11186.)

The CHAIRMAN. I pass you something now which you may or may not know about. This is a photostatic copy of a charge to a bank account, charged to Ben Lapensohn, \$10,000, order No. 21660. It says, "Pay to Sydney Mandell"—well, anyway, that is the way I make it out. I will present it to you and you can correct me if I am wrong—"on delivery 500 shares, Dan River Mills, \$10,000."

That is the bank record. You may not be able to identify it, but apparently it is dated June 23. Apparently he had it charged to his account so that a treasurer's check from the bank would go out to you.

(Document referred to was handed to the witness.)

Mr. MANDELL. Senator, I wouldn't know anything about this document.

The CHAIRMAN. You probably would not. We will have some member of the staff who secured it identify it.

Is there anything further?

Mr. KENNEDY. Mr. Chairman, I think we have the point in the record that this was an immediate profit to Mr. Lapensohn of \$5,000. He kept the stock and he ultimately sold it and actually made a profit of \$4,756.59 on this outlay of \$10,000, a profit of almost 50 percent.

The CHAIRMAN. Do we have a staff member who can testify to that?

Mr. KENNEDY. Mr. Kopecky.

TESTIMONY OF GEORGE KOPECKY—Resumed

The CHAIRMAN. Did you trace this stock through Mr. Lapenhorn, to where he disposed of it?

Mr. KOPECKY. I did, Mr. Chairman.

The CHAIRMAN. What did you find?

Mr. KOPECKY. The fact that in 1955 and 1956, Mr. Lapensohn disposed of this stock for a total of \$14,758.59.

The CHAIRMAN. How long had he kept it?

Mr. KOPECKY. He sold 500 shares September 8, 1955, and he sold—well, what happened in this transaction was that after he received the 500 shares the stock was split 2 for 1, so he consequently wound up with 1,000 shares. Then on September 8, 1955, he sold 500 shares, and then in the period beginning January 1956 through June 1956 he sold the balance of the 500 shares for a total of \$14,756.59.

The CHAIRMAN. What was the date of the last transaction?

Mr. KOPECKY. June 29, 1956.

The CHAIRMAN. Within a year's time, then, he had made a profit of \$4,756.59?

Mr. KOPECKY. That is correct.

The CHAIRMAN. What information do you have there as to the value of it?

This witness says he thinks it had a value of about \$15,000 at the time he transferred the stock to him. Have you traced that?

Mr. KOPECKY. According to the financial records available at the time, this stock was worth approximately \$15,000 on the open market to anyone who wanted to purchase it.

Mr. KENNEDY. You might ask if the profit has been declared on the income tax.

The CHAIRMAN. Do you find where this profit was reported?

Mr. KOPECKY. In that regard Mr. Lapensohn did report part of it, but he improperly reported the amount of the transaction in 1955, and he omitted from his income an amount of \$2,445, from his income.

The CHAIRMAN. I hand you another document, which says, "Charged to the account of Ben Lapensohn."

Is that a document that you obtained in the course of your investigation?

(The document referred to was handed to the witness.)

Mr. KOPECKY. It is.

The CHAIRMAN. From whom did you obtain it?

Mr. KOPECKY. From the bank which maintains Lapensohn's account.

The CHAIRMAN. What is the name of the bank?

Mr. KOPECKY. Broad Street Trust Co., Philadelphia, Pa.

The CHAIRMAN. It is the same bank that issued the \$10,000 check to Mr. Mandell?

Mr. KOPECKY. Yes, sir.

The CHAIRMAN. What is the date of that charge?

Mr. KOPECKY. June 23, 1955.

The CHAIRMAN. That is a photostatic copy of the original document you found?

Mr. KOPECKY. It is.

The CHAIRMAN. This document may be made exhibit 60 (G).

(Document referred to was market "Exhibit No. 60 (G)" for reference, and may be found in the files of the select committee.)

TESTIMONY OF SAMUEL P. MANDELL—Resumed

Mr. KENNEDY. Did you have any other transactions with Mr. Stein in connection with any union official?

Mr. MANDELL. No, sir.

Mr. KENNEDY. Did you have any transactions with him for a similar type of transfer of stock?

Mr. MANDELL. Yes; to Jack Shore.

Mr. KENNEDY. This was in connection with the Food Fair Properties.

Mr. MANDELL. Correct.

The CHAIRMAN. Is that the same Jack Shore who testified here this morning?

Mr. MANDELL. Yes, sir.

Mr. KENNEDY. And these bonds or units that were to go to Mr. Jack Shore; those are the ones; is that right?

Mr. MANDELL. Yes, sir.

Mr. KENNEDY. Did Mr. Stein contact you in connection with that?

Mr. MANDELL. Yes, he did.

Mr. KENNEDY. Would you tell us where that conversation took place and what Mr. Stein wanted you to do in connection with the Food Fair Properties?

Mr. MANDELL. Mr. Stein called me on the phone and told me that he had some rights that were due me, and for me to meet him in town, which I did. He gave me 6,000 rights for myself, and he also asked me if I wouldn't deliver to Jack Shore 4,000 rights because of him having to go somewhere and was in a hurry, so I said I would.

Mr. KENNEDY. This was on a Sunday, was it?

Mr. MANDELL. I don't exactly recall whether it was a Sunday. It was a couple of days before the 3d of October, which could have been a Saturday or Sunday.

Mr. KENNEDY. You met him in a hotel in Philadelphia?

Mr. MANDELL. I think I did.

Mr. KENNEDY. He called you and said he wanted to meet you in this hotel; is that right?

Mr. MANDELL. Yes.

Mr. KENNEDY. You met him down there and at that time he told you that he wanted you to transfer these rights to Jack Shore?

Mr. MANDELL. Yes, sir.

Mr. KENNEDY. Did you know Jack Shore?

Mr. MANDELL. No; I did not.

Mr. KENNEDY. Did he explain why he couldn't have somebody in the Food Fair Co. transfer the rights to Jack Shore?

Mr. MANDELL. No; he did not.

Mr. KENNEDY. Did he explain why he felt it was necessary to go through you rather than somebody in the Food Fair Co.?

Mr. MANDELL. No; he did not.

Mr. KENNEDY. He just said he wanted you to handle the transactions?

Mr. MANDELL. Yes.

Mr. KENNEDY. Did you get in touch with Mr. Shore then?

Mr. MANDELL. Yes; I did.

Mr. KENNEDY. Did you know Mr. Shore?

Mr. MANDELL. No; I did not.

Mr. KENNEDY. You called Mr. Shore the following day?

Mr. MANDELL. Yes; I did.

Mr. KENNEDY. He came down to see you?

Mr. MANDELL. Yes, sir.

Mr. KENNEDY. At that time did you make the transfer to him?

Mr. MANDELL. He gave me his check for \$10,000, and I, in return, had mailed to the Pennsylvania company the rights covering the \$10,000, plus the rights of my own, and sent a letter to them telling them exactly how to make out the certificates, and the 4,000 rights which entitled him to 200 units.

Mr. KENNEDY. He gave you a check for \$10,000?

Mr. MANDELL. Yes; he did.

Mr. KENNEDY. You, in turn, paid your own check of \$10,000 for the rights?

Mr. MANDELL. Correct.

Mr. KENNEDY. This was for the bonds themselves?

Mr. MANDELL. Yes.

Mr. KENNEDY. He was given the rights; is that right?

Let's start over again. He came to your office; right?

Mr. MANDELL. Yes, sir.

Mr. KENNEDY. Correct.

Mr. MANDELL. Correct.

Mr. KENNEDY. He came to your office, and for the 4,000 rights that you gave him at that time, plus \$10,000, he could purchase this \$10,000 worth of bonds?

Mr. MANDELL. Correct.

Mr. KENNEDY. And he then got bonds worth some \$14,000?

Mr. MANDELL. Well, I believe that is what it was. But he paid \$10,000.

Mr. KENNEDY. So you gave him the rights and then he gave them back to you, and he also gave you a check for \$10,000, you used your own check for \$10,000 and sent it into the bank in order then to transfer the bonds to his name?

Mr. MANDELL. Correct.

Mr. KENNEDY. Why was it handled in such a complicated fashion?

Mr. MANDELL. For this reason, Mr. Kennedy, if I recall correctly: The warrants came in odd numbers, and I wanted to give him his 4,000 and turn over the other 4,000 to my son. He also asked me if I wouldn't do him a favor, being I was sending the check, to mail it at the same time, which I did.

Mr. KENNEDY. Why couldn't he just send in his own check for \$10,000?

Mr. MANDELL. Well, I don't know. He probably could have.

Mr. KENNEDY. That would have been a far easier way to handle it.

Mr. MANDELL. I agree with you.

Mr. KENNEDY. So you don't have the explanation for that or why Mr. Stein saw fit to go through you?

Mr. MANDELL. Correct.

Mr. KENNEDY. Did Mr. Stein tell you at that time that the rights and the bonds were actually for Mr. Lapensohn?

Mr. MANDELL. No, he did not.

Mr. KENNEDY. He did not mention that?

Mr. MANDELL. No, sir.

Mr. KENNEDY. Are you familiar with the fact that Mr. Lapensohn, on the same day, I believe, made out a check to Mr. Jack Shore for \$10,000?

Mr. MANDELL. No, I am not.

The CHAIRMAN. What was the day——

Mr. WITKIN. Mr. Chairman, may I interpose?

The CHAIRMAN. Yes.

Mr. WITKIN. Mr. Kennedy, you said at one stage the following day. I am not sure that the witness in saying "correct" was right. He said that it was a day or two before October 3. It is minor, but I would like the record corrected.

Mr. KENNEDY. I appreciate that. Within a few days.

Mr. WITKIN. Thank you.

The CHAIRMAN. We have here exhibit No. 59-A, which has already been introduced in evidence. It is a \$10,000 check from Ben Lapensohn to Jack Shore, dated October 3, 1955. Is this along about the time of the transaction?

Mr. MANDELL. It is about the same day.

The CHAIRMAN. Almost the same day?

Mr. MANDELL. Yes. October 3. It is the same day.

The CHAIRMAN. It is the same day that you handled the transaction where you were getting this stock transferred to Shore, or the rights for him to buy the stock?

Mr. MANDELL. Correct.

The CHAIRMAN. It is the same day?

Mr. MANDELL. Right.

The CHAIRMAN. Did you know at the time that the stock was destined for Mr. Lapensohn?

Mr. MANDELL. I did not.

The CHAIRMAN. No one mentioned that to you?

Mr. MANDELL. No, sir.

The CHAIRMAN. Had you known that, would it have aroused some suspicion in your mind?

Mr. MANDELL. Well, I will say this, Senator, that if Mr. Stein told me to give the rights to Mr. Lapensohn, I would have probably done the same thing.

The CHAIRMAN. You would have done it just as quickly for Mr. Lapensohn as you did for Mr. Shore?

Mr. MANDELL. Yes, sir.

The CHAIRMAN. You were just accommodating Mr. Stein?

Mr. MANDELL. Right.

Mr. KENNEDY. The way the transaction was handled was Stein to Mandell to Shore to Lapensohn?

Mr. MANDELL. That I don't know.

Mr. KENNEDY. You don't know the last part of it?

Mr. MANDELL. That is right. From Stein to me and from me to Shore.

Mr. KENNEDY. When we first interviewed you, you told a different story than this, did you not?

Mr. MANDELL. Yes, sir.

Mr. KENNEDY. But I understand it was an unselfish motive, that you felt you were protecting Mr. Stein, is that correct?

Mr. MANDELL. Well, I thought it was more or less of a white lie, and I didn't want to embarrass Mr. Stein. I thought I would embarrass him if I did. But it was my error.

Mr. KENNEDY. It was quite different than the one you have told today?

Mr. MANDELL. Yes, sir.

The CHAIRMAN. Are there any further questions?

Senator CURTIS.

Senator CURTIS. No questions.

The CHAIRMAN. Thank you very much.

Call the next witness.

Mr. WITKIN. Are we excused?

Mr. KENNEDY. Yes, sir.

Mr. Stein.

The CHAIRMAN. Mr. Stein, will you be sworn, please.

You do solemnly swear that the evidence you shall give before this Senate select committee shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. STEIN. I do.

TESTIMONY OF LOUIS STEIN, ACCOMPANIED BY HIS COUNSEL, SCOTT W. LUCAS AND HARRY SHAPIRO

The CHAIRMAN. State your name, your place of residence, and business or occupation.

Mr. STEIN. I am Louis Stein. I reside in Philadelphia. I am president of Food Fair Stores, located at 2223 East Allegheny Avenue, Philadelphia.

The CHAIRMAN. Let the record show the counsel that appears for Mr. Stein.

All right, Mr. Kennedy, proceed.

Mr. KENNEDY. How long have you been president of Food Fairs?

Mr. STEIN. Approximately 5 years, Mr. Kennedy.

Mr. KENNEDY. What position did you hold before that?

Mr. STEIN. I was vice president and counsel.

Mr. KENNEDY. For how long?

Mr. STEIN. For many years.

Mr. KENNEDY. How long have you been with Food Fair?

Mr. STEIN. I would say almost from its inception.

Mr. KENNEDY. Mr. Stein, what position did you hold in 1955?

Mr. STEIN. President.

Mr. KENNEDY. You were president of the company at that time?

Mr. STEIN. I was, sir.

Mr. KENNEDY. How long have you known Mr. Benjamin Lapensohn?

Mr. STEIN. I met Mr. Lapensohn for the first time about 1940 or 1941.

Mr. KENNEDY. Did you see him frequently after that?

Mr. STEIN. I did not. I saw him very infrequently until the middle of 1953, when I began residing in Philadelphia.

Mr. KENNEDY. Did you see him frequently after that?

Mr. STEIN. I wouldn't say frequently, but more frequently than I did previously. I would say I saw him possibly 6 or 8 times during a year.

Mr. KENNEDY. Did you become close friends after that?

Mr. STEIN. No, I never become close friends with him, but I became friendly with him in a sense that I met him more often and we would sit down and talk every once in a while.

Mr. KENNEDY. Did he used to come to your home occasionally?

Mr. STEIN. He never came to my home.

Mr. KENNEDY. Did you go to his home?

Mr. STEIN. I don't know where he lives. I know the area, but I do not know where he lives.

Mr. KENNEDY. You were not aware of the fact that he was associated with 107?

Mr. STEIN. I never knew that he was associated with any union in any capacity.

Mr. KENNEDY. You never did.

Mr. STEIN. No, sir.

Mr. KENNEDY. When you started seeing him more frequently in 1953, 1954, and 1955, you had no idea that he had anything to do with local 107?

Mr. STEIN. I knew that he had to do with Ray Cohen and that he had helped him—he told me that he had helped him sponsor his cause of getting elected as secretary-treasurer.

I had known that he was very active in union affairs because of the magazines that he had, and that he was well connected with many unions. But I did not know him to be connected as a representative of 107.

Mr. KENNEDY. Did you know he worked for local 107?

Mr. STEIN. I did not. The first time I ever heard of any indication that he worked for them was when these committee hearings started.

Mr. KENNEDY. You never discussed, when you used to see him in 1954 and 1955, what his connections were, and with whom he worked, is that right?

Mr. STEIN. He did tell me, I know this, that he was in the labor magazine business. I had heard that, and that was rumored all around. When you traveled around the city, you knew that. And also he was in the real estate business.

Mr. KENNEDY. You never picked up a rumor that he was with local 107?

Mr. STEIN. Not that he was with them; that he was very close. He told me that he was an adviser of Mr. Cohen's.

Mr. KENNEDY. He did tell you that?

Mr. STEIN. Yes. He told me he was an adviser of Mr. Cohen's. I think I told your committee investigators almost a year ago.

Mr. KENNEDY. The only thing he didn't indicate was that he was on the payroll of local 107?

Mr. STEIN. No, he did not, Senator—

Mr. KENNEDY. I said that is the only thing he did not indicate to you, is that right?

Mr. STEIN. He didn't indicate that he was on the payroll.

Mr. KENNEDY. Right. He did not indicate that to you, isn't that correct?

Mr. STEIN. I am sorry. You are right.

Mr. KENNEDY. And you never inquired of him as to whether he was receiving any money from 107 or Mr. Cohen?

Mr. STEIN. He told me that he was not officially with 107. He told me that he was an adviser.

Mr. KENNEDY. He told you he was not officially connected with local 107?

Mr. STEIN. That is right.

Mr. KENNEDY. He told you that?

Mr. STEIN. Yes, sir.

Mr. KENNEDY. And you never heard a rumor to the contrary around Philadelphia?

Mr. STEIN. There was rumors that he was close to 107, sure.

Mr. KENNEDY. But you never heard that he was actually connected with 107?

Mr. STEIN. That is correct, sir.

Mr. KENNEDY. In 1955, you made some arrangements, according to the previous witness, to transfer some stock to him. Is that right?

Mr. STEIN. That is correct.

Mr. KENNEDY. That was for Dan River?

Mr. STEIN. That is right.

Mr. KENNEDY. That was for some 500 shares of Dan River stock?

Mr. STEIN. That is right, sir.

Mr. KENNEDY. For what reason did you make those arrangements?

Mr. STEIN. Well, he had met me on a number of occasions prior to this transaction you are talking about, attempting to get me interested in going into a building construction business with him. It seems as if he had gone into the business of building the small office buildings. I had turned him down. He had spoken to me about another venture, about a shopping center setup, and I didn't want to go in the deal with him.

At that occasion, he had come up to the office to get my answer on these building projects. When I turned him down, he brought up the question of Dan River, and he said, "I understand that you are going to become a director of Dan River." I said, "That is correct."

He also brought up the fact that he understood I had a block, a large block, on option. I told him that was so. At that time he asked whether he couldn't participate in that option. I knew that I had turned him down with every request. He also seemed to want to get an edge on some of these things.

I didn't want to get his ill will and I told him he could have 500 shares. To place the date, this was about March 1955, because I became a director of Dan River Mills in April, the early part of April 1955.

Mr. KENNEDY. Is that all? Is that the end of it?

Mr. STEIN. You asked me how I came to discuss it. Thereafter, about a month or two later, he called me for the stock, and I told him I hadn't received it yet. On the following call, I had gotten notice from the people who had promised me the option, that they were going to send me a part of these options.

I told him, at that time, to get in touch with Mr. Mandell and he would give him the 500 shares. The reason I had told him to go to Mandell was because by that time the stock had gotten to \$29 a share, and he was to get it at \$20, because that was my option price. I had 5,000 shares given to me at the \$20 price.

Because of his association with so many labor people, I just didn't feel right in having the transaction go through my books. I asked Mr. Mandell whether he would give it to him. Now in retrospect, I see that it was an error, and I should not have had it go through Mandell's books, but should have gotten it through my books, because there was nothing wrong, except that I have now colored the story that shouldn't have been colored.

Mr. KENNEDY. What happened, of course, was that you gave what amounted to \$15,000 worth of stock for \$10,000.

Mr. STEIN. At the time, sir, the stock was about \$22 a share. It would have been about \$1,000 difference, not 15.

Mr. KENNEDY. We have looked it up here, and I think the previous witness has testified to the fact that at that time the stock was worth \$15,000.

Mr. STEIN. Mr. Kennedy, when I turned over the stock it was in June, the latter part of June, 1958.

Mr. KENNEDY. 1958?

Mr. STEIN. 1955. But when I had first promised him the stock, when he asked me for it, and I told him he could participate to the extent of 500, was in March of 1955, and at that time it may have been around 22 or 23 dollars a share.

Mr. KENNEDY. The only thing I am pointing out to you is what the facts show, what the evidence shows, which was that at the time you transferred stock through an intermediary for \$10,000, the stock was actually worth \$15,000. You state at that time you did not know Mr. Lapensohn was an employee of local 107, or had anything to do with local 107, except in an informal basis.

Actually, Mr. Schwartz from your company has testified that he knew that Lapensohn was connected with local 107 and had discussed some of Food Fair business with Mr. Lapensohn.

Mr. STEIN. I heard Mr. Schwartz's testimony. I don't ask him who he deals with in each individual contract. We have about 100 contracts in our organization, sir. What I was trying to say, sir, is that I am not doubting what Mr. Schwartz said. If you will remember, Mr. Schwartz said he never called Mr. Lapensohn, but found out in an indirect way, and I don't remember, maybe you do, when he did speak to Mr. Lapensohn. But coming back to myself, Mr. Schwartz does not report to me about every labor leader he talks to, or any person he talks to in any labor hall.

Mr. KENNEDY. We interviewed, with Senator McClellan present, your secretary the other evening, and I believe both of your attorneys were present, and she told us that she had telephoned Mr. Lapensohn on a half dozen occasions, and that she always found him in local 107.

Mr. STEIN. It may be true that she called him there. He was there a great deal, from what I understand. But I am telling you also that he was not supposed to have been officially connected with 107.

Mr. KENNEDY. It just is a very peculiar circumstance that you would make such an arrangement with an individual you say you did

not know very well, who had never been to your home, you had never been to his home, and to make an arrangement just because he was possibly slightly annoying that would permit him to make a \$5,000—well, you really gave him a \$5,000 gift. That is what it amounted to.

Mr. STEIN. In the first thing, when I gave it, it was not \$5,000. It was only about \$1,000.

Mr. KENNEDY. At the time the transfer took place, Mr. Stein, it was actually worth \$15,000.

Mr. STEIN. At the time the transfer took place, you are right. That was the reason why, because it was that price, that I felt somewhat concerned about turning it over directly, knowing of his connections with many union officials.

Mr. KENNEDY. Are you familiar with section 302?

Mr. STEIN. Yes, I think so. I don't know. You pointed it out to me the last time I was here.

Mr. KENNEDY (reading):

It shall be unlawful for any employer to pay or deliver or to agree to pay or deliver any money or other thing of value to any representative of any of his employers who are employed in an industry affecting commerce. Any person who willfully violates any of the provisions of this section shall, upon conviction therefore, be guilty of a misdemeanor and be subject to a fine of not more than \$10,000 or imprisonment of not more than a year, or both.

Mr. STEIN. You will remember when I asked for a conference with you some weeks ago, you pointed that section out when you and I disagreed about the stock purchase plan.

Mr. KENNEDY. I hadn't known about this one.

Mr. STEIN. We talked about it in terms of the stock units and the stock purchase plan.

The CHAIRMAN. That is, of Food Fair?

Mr. STEIN. That is right, sir.

The CHAIRMAN. You did not discuss this particular transaction?

Mr. STEIN. No. I said we discussed the section that Mr. Kennedy is referring to.

Mr. KENNEDY. Let's go on, then, to the one on the Food Fair Properties. What were the circumstances which led you to take these four union officials and give them certain rights, that were worth, at the time the rights were transferred, some \$9,000?

Mr. STEIN. The circumstances were as follows: The same problem that concerned the drop shipments that you heard yesterday, and which I hope I will get an opportunity to explain more at length during my testimony, affected real estate properties insofar as food distribution is concerned. I think most of you people, most of you members of the committee, are familiar with the idea that there is somewhat of an evolution going on in the retail industry, and shopping centers are a new type of venture. But I have learned from experience that I was not going to get into a problem that other companies got into in 1929, when they bought real estate and then attempted to make moneys on their investments and then lost their business, because the real estate ventures went bad. For about a year and a half prior to August of 1955, I was going to various houses on Wall Street attempting to get them interested in floating a stock issue, the principal business of which would be the development of shopping centers. I went to the firm that eventually did it, and they turned me down. I went to another very reputable firm, one of the largest on the street,

and they turned me down. I eventually went back to Eastman Dillon, and finally convinced them to issue the securities.

This was about July of 1955. We finally agreed upon the format. I insisted, however, that there must be rights given to our stockholders, because if it did prove a successful venture, I was afraid my stockholders would criticize me. I insisted, therefore, that there must be rights given to purchase these bonds and units. The senior partners of Eastman Dillon refused to go along with the plan and turned me down, because they said this was a new type of security, that the American public had not been indoctrinated to it.

They said, "If we go and have to wait 3 weeks' time while the rights are outstanding," if any downturn came in the market they are liable to be stuck with the issue and there wasn't enough in it for them to take the risk.

It was at that time that I offered to see whether the principal officers of Food Fair Stores who were going to sponsor this issue, whether they would agree to undertake in the prospectus to exercise all of their rights, either they or their assigns. It was at that time that the senior partner of Eastman Dillon said that "If you will agree to take down your portion, we will then take the risk of allowing you to give rights to your stockholders."

It was with that understanding that I went back to my principal officers. The chairman of our board, who has the major portion of this business, under this plan would have been required to put up about \$1,750,000, about, and he didn't feel that he wanted to put up all of that money. He made the other officers of the company promise that if he went along with the plan, if anyone asked for any of the units, that he would have the first right to dispose of at least a half million dollars worth, because he did not have the available cash.

To bear out this point, he borrowed, at the time—he and his family borrowed \$1,200,000 from a Pennsylvania company to meet his obligation on the securities when they were exercised in October 1955.

After the registration statement was filed and it was publicly published that the issue was going to be floated, I received a number of calls, and was asked by our friends and by—I don't recall how many—3 or 4 labor leaders, and they asked whether they could get any of these units.

This was all before it came out of the SEC, prior to September 13 or 14, whatever date it was released.

I told them the amounts I would give them and told them that it was subject to its being released by the SEC, and if they were buying it for investment and not speculation. This went for 340,000 worth of these units—30,000 went to union officials. I am really happy to say when I looked over the list, and I never checked up, that one of them, I think, sold some of the stock, and the others kept their units, so they did keep their promise that they bought it for investment. That is how it came about.

Mr. KENNEDY. Do you say that Max and Louis Block telephoned you and made an approach to you for the purchase of these units and the purchase of the bonds?

Mr. STEIN. Max Block did approach me and asked me for a much larger sum than he actually got. But I did not want to give him that amount. I used the excuse I couldn't get it, because I didn't want

anyone to be overburdened in case the deal was not a good one, where they would have some resentment. I was taking that chance, thinking I would build goodwill, but I wanted to be sure I didn't bear any bad will.

Mr. KENNEDY. We have on here that he received 3,800 rights which were worth \$3,600. Actually, he received 4,800 rights which were worth \$3,600.

You made available to him some 4,800 rights?

Mr. STEIN. I made available—I haven't got the calculations—to purchase \$12,000 of the units.

Mr. KENNEDY. And Paul Lafayette telephoned you also?

Mr. STEIN. Paul Lafayette spoke to me by phone and asked me for—in fact, Mr. Lafayette had asked me for more. He asked me for 8,000, and he wanted 2,000 shares, but I cut him down as well, if you will notice, and he only got 1,000.

Mr. KENNEDY. And Mr. Jack Shore called you?

Mr. STEIN. No, sir. I told your investigators that story.

Mr. KENNEDY. Just answer the question.

Mr. STEIN. I am sorry. When your investigators came in to ask me about how Jack Shore got his stock, I told him I have only met Jack Shore on one occasion, several years back, that I did not know him, but that Ben Lapensohn had come to my office and asked whether he couldn't have some of these units. He said "My brother-in-law would like to have them. Would you please get it for him?"

I said I would be glad to, and I told him the most I could get for him was \$10,000. He then asked me also if he could have 1,000 shares—whether I would suggest or get for him 1,000 shares of stock for Mr. Ray Cohen and 1,000 shares for himself.

I said I would try to get that for him.

Mr. KENNEDY. This is apart from the bonds?

Mr. STEIN. That is right. Do you want to stick to the bonds? It is one conversation.

Mr. KENNEDY. That is all right. That is fine.

Mr. STEIN. Several days later I received a phone call from Mr. Lapensohn, and he said that they didn't want, neither Cohen nor he, wanted the stock, and would I mind trying to get it for his brother-in-law. I said I had no objection, that to me it made no difference. You will notice in the list that I sent to Eastman Dillon scratched out their names and substituted Jack Shore. There was nothing hidden and nothing mysterious about it.

Mr. KENNEDY. Once again, in the handling of this transaction, which involved Mr. Benjamin Lapensohn, in the first place, if you did not know Benjamin Lapensohn was a union official, why was he put on the list of union officials?

Mr. STEIN. I did not know why he was put on the list; I didn't notice it, except that he asked for Ray Cohen and his name was there, and I suppose when I gave it to my secretary, she insisted or thought she ought to put both on, on that list.

Mr. KENNEDY. Then the circumstances of having Jack Shore's name on there at all, and when we trace it, we find that Jack Shore immediately transferred these bonds to Mr. Benjamin Lapensohn.

Mr. STEIN. Your investigator told me that and asked me whether I knew whether it was bought for Mr. Lapensohn. I said he didn't have to go to those lengths.

Mr. KENNEDY. Would you admit that the circumstances surrounding this transaction are highly suspicious, to say the least?

Mr. STEIN. Not this one. The other one, yes. I admitted a few moments ago that it was indiscreet on my part of handling the 500 Dan River Mills the way I did. But not this. This was clearly up and aboveboard without any intent of deceiving or hiding the situation.

Mr. KENNEDY. I will tell you what sounds possibly a little suspicious. That is the fact that Jack Shore, who you admit you had only met once, is put on this list, and Jack Shore then procures these units, that it is done through an intermediary, Mr. Mandell, and then they are then transferred to Mr. Shore, who then transfers them to Mr. Lapensohn. Those circumstances are highly suspicious.

Mr. STEIN. Mr. Kennedy, I don't blame you questioning that problem. May I please answer? What happened was that these units did not come from the registrar and transfer agent, these rights, until very late in the month of September.

In other words, you have to get your stockholders listed as of a certain date. Then the registrar and transfer company had to prepare the list, type up the certificates, and mail them to the prospective stockholders.

We got them in the latter part of September. Then I had to get in a hurry to make the distribution, because October 3d was the last day that they could be exercised.

Mr. Mandell had agreed to purchase \$15,000 worth of these units, and \$10,000 was to go to Mr. Shore. I took two 3,000 certificates, and I took two 2,000 certificates, and I intended to meet both gentlemen that weekend downtown, because that following Monday they had to be exercised. I got ahold of Mr. Mandell and gave him his, but I could not get ahold of Mr. Shore. I was going out of town that weekend. I asked Mr. Mandell "Would you please do me a favor and give these certificates to Mr. Shore?"

Now, since then, and since all this commotion started on these certificates, and I checked through and found what Mr. Mandell did. He gave his son 2,000, or somebody, of his six, gave them a 2,000 certificate, and when he had to give Mr. Shore his 4,000, he didn't have an equal amount to give him.

So he went in a 3,000 certificate and a two, as I understand the records, and transferred 4,000 into Mr. Shore and took 1,000 back into himself. But I had no control. It looks a little complicated, but it was not my doing, other than I initiated it by giving it to him.

The CHAIRMAN. You say it looks a little complicated. It does. On the face of it, it arouses a natural curiosity. You can appreciate that. That is why you are given this chance to make your statement about it, to explain it.

Mr. STEIN. Thank you.

The CHAIRMAN. I can appreciate that after you got in touch with Mandell and transferred the stock rights to Shore, beyond that you had no control over it, as to how they finished handling the transaction. But from the beginning, apparently, the stock was to go to Lapensohn, who had originally requested the stock, and it did go there immediately. Lapensohn even paid for it on the same day of the transaction. The question arises as to what did you know about that?

Was this whole transaction to try to get this stock into Lapensohn's hands?

Mr. STEIN. I didn't get the question.

The CHAIRMAN. Was the purpose of the whole transaction, insofar as Shore was concerned, to get this stock to Lapensohn?

Mr. STEIN. There was no need for it, sir. As you will notice in the common-stock list, if Mr. Lapensohn had asked it for himself, he would have gotten it.

The CHAIRMAN. He did ask for it for himself in the beginning.

Mr. STEIN. That is right.

The CHAIRMAN. Then, for some reason, the transaction was changed so it went through a brother-in-law.

Mr. STEIN. Because he called me on the phone and asked. If you will look at that schedule there——

The CHAIRMAN. Let's see. He called you on the phone and asked you to make the change?

Mr. STEIN. Right.

The CHAIRMAN. Did you inquire why?

Mr. STEIN. No. It was no——

The CHAIRMAN. Did you know who Mr. Shore was at the time?

Mr. STEIN. Yes; I know. He told me.

The CHAIRMAN. He told you he was his brother-in-law?

Mr. STEIN. That is right. And I told that to your committee investigators.

The CHAIRMAN. You had no obligation to Shore at all?

Mr. STEIN. No, I did it as a favor to Lapensohn, not to Shore.

The CHAIRMAN. Did you know Shore at the time?

Mr. STEIN. I had met him on one occasion.

The CHAIRMAN. You only met him on one occasion?

Mr. STEIN. That is right.

The CHAIRMAN. You felt under no obligation to favor Shore?

Mr. STEIN. Not a bit. I did it solely because I was asked by Mr. Lapensohn.

The CHAIRMAN. But you did it under the desire of favoring Mr. Lapensohn?

Mr. STEIN. That is true.

The CHAIRMAN. And he was the one who was actually favored because he got the stock.

Mr. STEIN. That is true.

The CHAIRMAN. I mean, it turns out that way, regardless of your intention. It turns out that he was the one that was favored, the one who made the original request.

Mr. STEIN. There is no question about that, Senator.

Mr. KENNEDY. Why did you want to favor Mr. Lapensohn?

Mr. STEIN. Because if anyone is in business, and you know that a person stands well in labor circles, you don't try to incur any ill will. If it did not mean anything to me, and he came and asked me for a favor, certainly I ought to try to do it for him, because that is human nature, and that is the way business is done, not to get any benefits that you are not entitled to, as was intimated in a contract yesterday, but merely to be sure that you don't create ill will but try to get good will of people insofar as your business is concerned.

The CHAIRMAN. Let's go back to the other one, the Dan River Mills. Were you making that stock available simply to incur good will?

Mr. STEIN. To prevent ill will, more important than creating good will at that time, because I was turning him down constantly on a number of deals that he had come up to see me on.

The CHAIRMAN. Unless you had some information, or unless you were under some more or less compelling impression that you needed to retain the good will of Mr. Lapensohn, I can't understand why, if you were not good friends, and you intimated you were not, why you would want to incur losses in a transaction of that kind simply to favor him.

Mr. STEIN. Your committee did a very fine job in bringing out Mr. Lapensohn's influence in labor circles. When you are sitting at the other side of a business table, and you know that the man is very well connected, you don't go out of your way, you don't look to go and do business with the man, but you do know him, and you may not be friends but you are friendly with the individual. You don't like to turn him down if you feel you could do him a turn.

The CHAIRMAN. In other words, the effect of your testimony is you thought he had such power or influence in the ranks of labor or with labor organizations that it was a good idea to keep his good will?

Mr. STEIN. I would rather put it this way—

The CHAIRMAN. Or to avoid incurring his ill will.

Mr. STEIN. That is right. That is very important, Senator.

The CHAIRMAN. All right. We will put it your way.

Mr. STEIN. May I also state, sir, that I may have not been a very close friend of his, but he traveled in very nice circles in Philadelphia, and on a number of occasions and affairs that were held in town, I would always find him there.

He didn't have a bad reputation in Philadelphia, certainly not to my knowledge. Had I known today what this committee has brought out about this gentleman, I could assure you I would have stayed away from him with a 10-foot pole.

But I did not know the things, and I don't think you knew them in 1955.

The CHAIRMAN. Well, I didn't, of course.

Mr. STEIN. I meant to say the committee.

The CHAIRMAN. I didn't know the man, of course.

Mr. STEIN. I apologize, sir. I didn't mean that.

The CHAIRMAN. So far as you may have known him at the time, he may have had a good reputation. You did not know about his past. But the important thing here is that you were dealing with a man who was an official representative of the labor union, a man employed by them. You said you didn't know he was so employed, but he told you that he was the adviser to the secretary-treasurer of that local. So you knew he had labor connections, whether on a compensated basis or whether just in a position of influence.

Mr. STEIN. I knew before that he had many friends in the labor movement, due to his labor magazine.

The CHAIRMAN. I understand. But the effect of your testimony is that because of his position with labor, whether official or otherwise,

and you say you did not know it was official, because of his position or influence with labor, you did not want to incur his ill will, and you handled the transactions this way or made him the beneficiary of these transactions simply to avoid his ill will. That is the effect of your statement, is it not?

Mr. STEIN. Yes, sir.

Mr. KENNEDY. Tell me what the situation was as far as Paul Lafayette is concerned.

Was that the same?

Mr. STEIN. Paul Lafayette and the Blocks, I didn't think they got any advantage. We were talking about Dan River stock.

Mr. KENNEDY. We are also talking about the Food Fair Properties as well.

The CHAIRMAN. I was talking about both in the last. But I did revert back to, refer it back to the Dan River stock.

Mr. STEIN. Insofar as the Food Fair Property stock and Mr. Lafayette and Mr. Block is concerned, they had called me and asked whether they could buy securities which were not yet released from the SEC.

Mr. KENNEDY. Were you trying to gain their good will also?

Mr. STEIN. I did not want to create their ill will. I did not want to refuse them on something that I possibly could have accommodated them with.

Mr. KENNEDY. And also for Max and Louis Block, the same situation.

Mr. STEIN. Yes.

Mr. KENNEDY. As far as Paul Lafayette, did you transfer these bonds directly to Paul Lafayette?

Mr. STEIN. There were Max Block, Louis Block, and Paul Lafayette, and two other individuals, amounted to \$30,000 all told.

Mr. KENNEDY. Could you answer my question: Did you transfer the units, the bonds, directly to Max and Louis Block and Paul Lafayette?

Mr. STEIN. It was sent to our New York attorney, who transferred them.

Mr. KENNEDY. Once again you did not go directly to the Blocks or directly to Lafayette, but went through an intermediary?

Mr. STEIN. Yes. It was a distance away.

Mr. KENNEDY. For the four labor officials who received these bonds, you went through an intermediary. Up in New York, you went through Mr. Madden, your attorney up there, who negotiated at that time the contracts with Lafayette and the Blocks.

Mr. STEIN. No; we did not.

Mr. KENNEDY. Didn't he have discussions with Lafayette and the Blocks regarding the contracts?

Mr. STEIN. Not Lafayette; no. He had nothing to do with it.

Mr. KENNEDY. With the Blocks?

Mr. STEIN. With the Blocks; yes.

Mr. KENNEDY. You transferred these units up to him to Sydney Mathe, and he, in turn, made the transfer to the Blocks, is that correct?

Mr. STEIN. He got their checks directly.

Mr. KENNEDY. So it would appear on the books—none of the names of any of these individuals, Lapensohn, Max Block, Louis Block, or

Paul Lafayette, would appear on your books and records as having received these bonds.

Mr. STEIN. Sure they would.

Mr. KENNEDY. The only thing that would appear from your files, and whichever appeared from your files, was that Sidney Mathe or Nathan Mathe received these rights. We would have to go to Nathan Mathe to find out what he did with them before we knew that the Blocks and Lafayette received them. As far as Lapensohn was concerned in Philadelphia, we would have to go to Jack Shore and Mandell.

Mr. STEIN. I am going to see if I can find this letter.

Mr. KENNEDY. Isn't it correct that you were attempting to hide or conceal these transactions?

Mr. STEIN. No, Mr. Kennedy, not by any stretch of the imagination.

Mr. KENNEDY. You don't have to stretch your imagination but a little to find out that they were hidden.

The CHAIRMAN. The question is: If your records show that there were no records available other than yours to trace the transactions, would the names of Lapensohn, the Blocks, and Lafayette, appear on your records, showing that the stocks went to them?

Mr. STEIN. They did appear on our records. What we did was this: If you will look at the common stock records——

The CHAIRMAN. I said stocks. The units.

Mr. STEIN. The unit records. The units were delivered to Mr. Mathe, and on the date that it was delivered, he sent a letter to his stockbroker, telling him to put the stock in their names.

The CHAIRMAN. That letter would not be in your file.

Mr. STEIN. No.

The CHAIRMAN. I said so far as your records and files, there would be nothing in your records and files to show that they ultimately received the stock.

Mr. STEIN. Well, I guess that would be so.

(The witness conferred with his counsel.)

The CHAIRMAN. You have your explanation, and I am not challenging it at the moment. But for our job, going out to investigate, and trying to find out what actually happened, we couldn't find it out from your records.

Mr. STEIN. I gave it to the investigator long before, when he came and asked me who was there. I gave him a list of all of them.

The CHAIRMAN. You may have done that, but I am talking about your records, if we were looking at your records.

Mr. STEIN. That is how I got it.

The CHAIRMAN. You have made your explanation, and I am not at the moment challenging that, but I say as a fact, from looking at your records, we could not determine that the four blocks of stock went to those individuals.

Mr. STEIN. All you have to do is look at the register, where we have the original issue and the transfer sheets, which we have in the office. That is how I found out. I did not remember all those we gave it to. I got out the records and found it and gave it to your committee. I made up a list and gave it to them. So I don't know. It is true, I did not have it in a typed form, but this was 7 years later, and I had

no need for it, and I just did not keep any records. But all I had to do was to go to my transfer sheets and get it.

Mr. KENNEDY. We could not go through the transfer sheet of every piece of stock of your company. When you go down the original list as to who received these units, none of the names of these union officials appear. That is correct. When you did transfer these rights, these individuals received a total of \$9,000, or rights worth \$9,000. Can you give us any explanation of how you, under the law, could give these individuals \$9,000?

Mr. STEIN. You are talking, sir, of the date that delivery was made of the rights. I explained, sir, that after the registration statement became effective, for the first time, the transfer agent makes up a list of the stock, and when they make up the list, they then type up the rights and forward them to the respective stockholders.

I don't think that the stockholders of Food Fair Stores received their rights until the latter part of September.

Mr. KENNEDY. That is correct.

Mr. STEIN. That was the reason it was delivered then.

Mr. KENNEDY. Right.

Mr. STEIN. Had they been prepared and ready, they would have been issued on the date of release, and we would have given them on that date, at which time it was only worth the \$50.

Mr. KENNEDY. No. If you had issued them on the release dates, those rights were still worth 75 cents or a dollar, on the release date. Even on the release date these rights would have been worth \$9,000, even if you had not waited until the 29th of September, even on the 13th of September or the 14th of September these rights in fact were worth that amount of money.

Mr. STEIN. Mr. Kennedy, I notice on the sheet that you made up that you have listed these stocks as being worth something like \$4 a share and the unit something like—

Mr. KENNEDY. Let's talk about the units.

Mr. STEIN. I will, sir—and the units up to seventy-odd, which was affected by the price of the stock. Securities are sold on the date of issue. No one knows what is going to happen a minute before or a minute after, no matter how hot somebody may tell you an issue may be.

How in God's imagination could anyone say that a stock having a book value of 15 cents would sell at \$4, when the only thing that they had in the company at that time was two pieces of vacant property on which shopping centers were to be constructed, and cash, and a gleam in the eye for the future. Mr. Kopecky read Mr. Barton's affidavit and he said his best hope was that it may sell for approximately \$1.50. We don't know what the value of stocks are going to be after they are issued. But at the date they are issued, and that is the way every stock is taken, they only had the issue value price.

Mr. KENNEDY. Mr. Stein, I wish you would answer this question, the question I just put to you: At the time that these rights were transferred to these 4 individuals, they were worth \$9,000. There is no getting away from that. At the time they were put on the market they were worth some \$9,000. The rights were worth money on that day. Whether it is the 14th of September or the 27th of September.

What you did was give these 4 individuals some \$9,000.

You say it is to avoid bad will. I don't think you are permitted to do that.

Mr. STEIN. I did not say we gave them rights worth \$9,000 to avoid bad will.

Mr. KENNEDY. You gave them the rights to avoid bad will.

Mr. STEIN. I said we gave it to them before it had a value. Mr. Kennedy, you and I had this out, I think, once before in discussing the question of the values and the effects. At some time you have to start in and at some time it has a starting value. These rights, these units, were agreed upon to be sold prior to the release, subject to it being released. It could have opened up under the market and it could have sold for less than 50.

Mr. KENNEDY. I agree, it could have. The point is that on the day that you transferred them, the 29th of September, when you actually transferred them, they were worth \$9,000, isn't that correct?

Mr. STEIN. After the original issue, yes.

Mr. KENNEDY. Isn't it correct that the day that you transferred these rights, they were worth \$9,000?

Mr. STEIN. The date it was transferred it had a value, yes, of \$9,000.

The CHAIRMAN. You actually transferred the rights on the 29th of September?

Mr. STEIN. Somewhere around that time. I couldn't tell you the exact day, but it was prior to October 3.

Mr. KENNEDY. I would like to talk to you about the stock. We have talked about the units. The names of the union officials that you placed on the preferred list to purchase stock will be the next subject. Are you familiar with that?

Mr. STEIN. To some extent, yes.

Mr. KENNEDY. How did you go about making up this list of some 20 individuals, union officials, who you gave the right to purchase stock?

Mr. STEIN. We received a number of calls from many people. We received a number of calls from many people, people that we do business with, friends, and many of our employees. Some of them were labor people who called and requested could we try to get them some stock. You must bear in mind that we did not own this stock. We sold this stock to Eastman Dillon.

The most we could do is suggest. Although they promised to consider the names we gave them, they had no obligation to give it to us, and we could not force them to. The most we could do is promise these people, whoever they may be, that we will suggest. You will note the heading. I did not know there was going to be a McClellan committee in 1955.

You will note the way it is designated. You did not get this from my file, you got this from Eastman Dillon's file.

Mr. KENNEDY. I agree.

Mr. STEIN. It says "suggested names of labor men for consideration in connection with Food Fair Property stock."

This clearly indicates that I could not promise anybody anything other than Eastman Dillon promised to give it favorable consideration.

There is one other question that I would like to bring out at this time. I think Senator Curtis asked the question this morning as to

whether any of the employees received rights. I think what was—I think what you meant, Senator, was whether any of our employees received any of this common stock that was given to these labor leaders on the suggested list. There was a tremendous amount, I think there were hundreds of our people, that were listed on that list and who received shares of stock from Eastman Dillon.

Mr. KENNEDY. Mr. Stein, did you approach some of these union officials, you or your representatives, to determine whether they would be interested in being put on this list?

Mr. STEIN. I did not approach anybody.

Mr. KENNEDY. Did anybody in the company approach any union official to determine whether they wished to be put on this list?

Mr. STEIN. To my best knowledge there was no approach. I was mindful of the fact, Mr. Kennedy—you were kind enough to tell me—that you had several statements showing that some were solicited. I don't know whether there is anything wrong or not wrong in soliciting, but it was not my instructions to solicit. I never solicited from any one on this list to purchase any of this, to even suggest that they purchase the stock.

Mr. KENNEDY. Do you know if Mr. Schwartz, who was your labor-relations director—do you know if he solicited any union official?

Mr. STEIN. I am sure he didn't go around soliciting any—

Mr. KENNEDY. Do you know if he approached any union official to determine whether that official wished to be placed on this list?

Mr. STEIN. To my knowledge, he didn't approach anyone.

Mr. KENNEDY. You have discussed that with him, have you?

Mr. STEIN. I discussed that situation with him, and he says to his best recollection he did not.

Mr. KENNEDY. These individuals who were placed on this list were given permission or the opportunity to purchase stock for a dollar, which was, in fact, worth \$4.

Mr. STEIN. You see, Mr. Kennedy, that is the old turkey; the chicken before the hen or the hen before the chicken.

You and I discussed this before. This list was sent in to Eastman Dillon. We couldn't sell it. If Eastman Dillon did want to sell it, all they had to do was strike out the name.

Mr. KENNEDY. In fact, they did give it.

Mr. STEIN. That is all right, because they wanted to consider. We could not force them to do it. All we did was suggest it, these names. When they went to issue their confirmations, these certificates went out. By the way, they didn't send to everyone we asked. At a certain point, they stopped and would not take them.

Mr. KENNEDY. I do, because you were sending them in so late, I understand.

Mr. STEIN. I can assure you that I didn't make any profit on that. Everybody was paying the same price for the stock, and Eastman Dillon confirmed this list here. After the stock came out and was selling at \$4, if it sold at \$4, that didn't mean that I gave them anything at \$4 or that Eastman Dillon gave them anything at \$4.

Mr. KENNEDY. All I say is that if you did not place them on this list, if you had not sent this list, instead of Max Block paying \$2,000 for 2,000 shares, he would have paid \$8,000 for 2,000 shares, and instead of Lafayette paying \$1,000, he would have paid \$4,000. In summary,

instead of these 20 officials having to pay \$12,100, they would have had to pay \$48,400. This was a tremendous gift to them.

Mr. Stein, in connection with the solicitation that was undertaken—Mr. Chairman, both of these witnesses are available to testify, but we have two affidavits here.

The CHAIRMAN. Are the witnesses here?

Mr. KENNEDY. They are not in the room, but they can be obtained.

The CHAIRMAN. We can interrogate the witness about them.

For your information, Mr. Stein, we have an affidavit from Mr. Anthony E. Matz. Do you know him?

Mr. STEIN. I don't know the gentleman. I never met him.

The CHAIRMAN. It says at the present time he is president of the International Brotherhood of Firemen, Oilers, and Railway Shop Laborers of Washington, D. C. You don't know him?

Mr. STEIN. I don't know him, sir.

The CHAIRMAN. You don't know what position he holds in labor?

Mr. STEIN. I do not.

The CHAIRMAN. He said:

I have been acquainted with Julius Schwartz for approximately 12 to 13 years, and over the course of years have advised him in a general way as to the manner and procedure in which he should conduct labor negotiations. Mr. Schwartz and I have not personally negotiated a collective bargaining agreement, but these contracts are negotiated at a local union level by the business agents and shop stewards and are signed, after ratification by the membership, by local union officials.

In approximately the late summer of 1955, Mr. Julius Schwartz confronted me at the Cherry Hill Inn restaurant located adjacent to the Garden State racetrack. This was the first occasion in a number of years that Mr. Schwartz and I had been in contact. After exchanging the usual greetings Mr. Schwartz inquired as to whether I had any extra money. He elaborated on this statement to the effect that a new company was being formed to be known as Food Fair Properties, Inc. Mr. Schwartz further indicated to me I could get in on the ground floor of this company by being able to purchase the stock at \$1 a share. He also stated this would be a good investment, that I would not have to worry about risking my money, and that it was an investment which I could put away for a long time and forget about it.

As a result of Mr. Schwartz's statements I indicated I was interested in purchasing some of these securities. At that point he told me he would be in further contact with me, or with my office, in order to inform me as to how payment should be made and to whom such payment should be made. Thereafter, just prior to the time I made payment Mr. Schwartz telephoned and left instructions with my office to the effect I should forward my check in payment for the securities to the underwriting firm of Eastman Dillon & Co. In furtherance of this I issued my personal check on September 26, 1955, in the amount of \$300 to Eastman Dillon & Co., and subsequently received 300 shares of common stock of Food Fair Properties, Inc.

Of course, Mr. Schwartz may be the one to answer primarily, but do you have any knowledge of this having occurred?

Mr. STEIN. I don't know the gentleman. I never spoke to the gentleman, to my knowledge—

(The witness conferred with his counsel.)

Mr. STEIN. I said I never spoke to the gentleman.

The CHAIRMAN. You would not have to speak to him to have knowledge of it. You speak to Mr. Schwartz.

Mr. STEIN. I have no knowledge.

The CHAIRMAN. You have been talking to Mr. Schwartz, I am sure. He worked for you.

Mr. LUCAS. Mr. Chairman, may I inquire who prepared that affidavit?

The CHAIRMAN. I don't know who prepared it, but we have the witness here in town if there is any question.

Mr. LUCAS. I would like very much to have Senators cross-examine that gentleman, if it is possible.

The CHAIRMAN. Do you question this? You have Mr. Schwartz here. We can put him on the witness stand.

Mr. LUCAS. I would like to know who prepared the affidavit. If that gentleman knows everything that is in that affidavit, he is a wonder, with respect to the language that has been used, and so forth.

The CHAIRMAN. A lawyer prepares an affidavit, or a member of the committee staff may write it up after talking to the witness. I assume this man is an intelligent man. As I understand, his attorney was present when it was prepared. I assume he had good advice.

(The witness conferred with his counsel.)

Mr. LUCAS. We will delay it until we talk to Mr. Schwartz.

The CHAIRMAN. Talk to Mr. Schwartz about it. I certainly would not put anything in this record or interrogate the witness about anything that I did not think had merit. I wanted to ask you if you knew anything about it. Did Mr. Schwartz report it to you, or did you ever hear of it?

Mr. STEIN. No; I did not, sir.

The CHAIRMAN. Mr. Schwartz, if he did this, did not report it to you?

Mr. STEIN. Mr. Kennedy was kind enough to tell me, when I met him in his office several weeks ago, that he had several statements showing that they were solicited. I discussed it with Mr. Schwartz, and he said, to the best of his knowledge, he does not remember that he had solicited the setup. But I would like after I get through, to discuss it with him.

The CHAIRMAN. Do you know Mr. Eugene A. Kennedy?

Mr. STEIN. Yes. I haven't met the gentleman for about 5 years, but I knew him previous to that.

The CHAIRMAN. He is now secretary and general manager of the retail Food Clerk Union, Local 1500, and he has served in that capacity since, approximately, 1940. Did you know him in that capacity, that he represented this union in that capacity?

Mr. STEIN. I knew him in that capacity; yes.

The CHAIRMAN. He states in his affidavit:

"In approximately August or September of 1955, Mr. Jules Schwartz contacted me to determine whether I desired to purchase stock of Food Fair Properties, Inc., which was to be issued in the near future. At that time I made no commitment, but reserved my decision. Thereafter, Mr. Jules Schwartz contacted me again, and I told him at that time that I was not interested in purchasing these securities, and did not want to be given any consideration.

My decision for declining to accept this offer to purchase the stock of Food Fair Properties, Inc., was based upon the fact that I preferred not to have any investment in any company affiliated with those firms with whom the union, local 1500, has collective-bargaining agreements.

Do you know anything about that contact of Mr. Schwartz with Mr. Kennedy?

Mr. STEIN. No. I could not tell you about that.

The CHAIRMAN. The import of these statements, if correct, is that Mr. Schwartz was out soliciting these labor leaders to get in on the ground floor on this stock. That is the full import of it, if it is a fact, if it is true.

Further, he says :

That in approximately the month of August or September 1955, when Mr. Jules Schwartz approached me to determine whether I desired to purchase stock of Food Fair Properties, Inc., I made no commitment and reserved my decision. I did tell him, however, that my sister, Mrs. Nicholas Novellino, might be interested. When Mr. Schwartz approached me later, I told him that my said sister was interested in purchasing 500 shares of the said stock. I thereupon requested that he make such a purchase for my sister. I sent Eastman Dillon & Co., the stock-brokers, my check in payment for the said stock, and my said sister reimbursed me later on.

The certificate of stock was registered in my said sister's name, was mailed directly to her, and she still is registered and legal owner and holder thereof.

You knew nothing about Mr. Schwartz' making this contact?

Mr. STEIN. No, sir. I did not.

The CHAIRMAN. He had never reported it to you?

Mr. STEIN. No; he did not.

The CHAIRMAN. Would that have met with your approval, if you had known he was out soliciting purchases of this stock, if these statements are true?

Mr. STEIN. I would have objected, whether they were labor leaders or individuals, because we are not in the business of selling stock, and I would not want to stick my neck out to tell someone to buy stock. Our position is to sell stock, not to go ahead and to buy it.

The CHAIRMAN. All right, Mr. Kennedy.

Mr. KENNEDY. I want to ask you now this question: Max and Louis Block were on this list for both the units and the stock; is that right?

Mr. STEIN. Yes, sir.

Mr. KENNEDY. What is the situation as far as the pension payment in the New York area covering the Food Fair stores for the meat-cutters?

Mr. STEIN. I don't know.

Mr. KENNEDY. Do you know that you have a better arrangement than any of the other food chain companies in that area?

Mr. STEIN. I think our contract, if you will compare them today, we are at a disadvantage compared to other companies operating in that area, and I have been at odds with the officials of that Amalgamated because of it.

Mr. KENNEDY. In the New York area?

Mr. STEIN. Yes, sir.

Mr. KENNEDY. Do you know specifically, then, about your arrangement, as far as the pension payments?

Mr. STEIN. I do not. I happen to be familiar——

Mr. KENNEDY. Do you know why your pension payments do not become effective, or you do not have to start to pay, until June 1, 1958, while most of the other companies had to start paying in the middle of 1956?

Mr. STEIN. I do not know why. But I can tell you of several other very——

Mr. KENNEDY. Mr. Chairman, could I call Mr. Kopecky, who can give the figures from an examination of the files?

(At this point, the following members were present: Senators McClellan and Curtis.)

Senator CURTIS. Yes; Mr. Kopecky can testify here without Mr. Stein being disturbed.

TESTIMONY OF GEORGE KOPECKY—Resumed

Senator CURTIS. You have been sworn, haven't you, Mr. Kopecky?

Mr. KOPECKY. Yes, Mr. Chairman.

Mr. KENNEDY. Have you made a study of the New York area, Local 342, the Butchers Union, as far as pension payments are concerned?

Mr. KOPECKY. Yes, I have.

Mr. KENNEDY. Have you made a study of the various companies in the New York area as far as their pension payments to local 342?

Mr. KOPECKY. Yes.

The CHAIRMAN. I will have to leave for a moment. We can either suspend, or you might waive, if you will, the right of a full quorum.

Mr. LUCAS. We would like to waive, your honor, and move on.

The CHAIRMAN. All right.

Proceed.

Mr. KENNEDY. You made a study of those contracts?

Mr. KOPECKY. With regard to retail food chains.

Mr. KENNEDY. What did you find as far as the pension payments are concerned?

Mr. KOPECKY. In New York, concerning local 342 of the Butchers Union, we noted there were 12 retail food chain contracts, and Food Fair Stores and one other retail food chain, known as Food Farm Super Market, commence paying \$2 per week per employee into the pension fund, in the case of Food Fair Stores, beginning June 1, 1958. All of the others have been paying at as early a date as 1956.

Senator CURTIS. May I ask, are those pension funds all alike in every other particular?

(At this point, Senator McClellan withdrew from the hearing room.)

Mr. KOPECKY. In most instances they are alike, in calling for the payment of \$2 per week. In three instances they are company-sponsored plan, wherein the company pays the contribution and administers its own plan as opposed to having the union administer the plan. But they are equally effective.

Senator CURTIS. But in three of them, the company guarantees the level of payment?

Mr. KOPECKY. That is right. The company assumes the control and responsibility for the payment.

Senator CURTIS. And in the others, they are union managed?

Mr. KOPECKY. Union managed, and the companies make the contribution.

Senator CURTIS. The company makes the contribution to the pension fund?

Mr. KOPECKY. That is correct.

Senator CURTIS. And any hazard that the pension fund would run into, by reason of bad investments or mismanagement or so on, would be the loss to the beneficiaries of the pension fund?

Mr. KOPECKY. That is correct.

Senator CURTIS. In the pension funds where the company guarantees a level amount, they are liable for that guaranty direct to the beneficiaries?

Mr. KOPECKY. I have not scrutinized these particular plans in that regard as to whether the company guarantees it or not.

Mr. KENNEDY. Did you get the saving?

Mr. KOPECKY. No, I have not given it. In the case of the New York area, the approximate saving to the Food Fair organization in this situation, due to the fact that they are not obliged to make this payment until June 1, 1958, amounts to approximately \$25,000 a year.

Mr. KENNEDY. What about in Philadelphia. That is \$25,000 there. What about in the Philadelphia area?

Mr. KOPECKY. In the Philadelphia area there are 3 major retail food chains, and in those 3 situations 2 of the firms were obliged to commence payment of \$2 per week per full-time employee into the union pension fund beginning July 1, 1957. However, the third company, Food Fair Stores, is not obliged to make such payment of \$2 a week until December 29, 1958, a grace period of approximately 18 months.

(At this point, Senator McClellan entered the hearing room.)

Mr. KENNEDY. What is the saving to the Food Fair, then, in the Philadelphia area?

Mr. KOPECKY. Based upon the number of employees with Food Fair, the annual savings would be in excess of \$95,000, and over the full 18-month period it would approximate \$142,000 savings to Food Fair.

Mr. KENNEDY. Are the other provisions in the contract generally equal?

Mr. KOPECKY. Generally equal, yes.

Mr. KENNEDY. What would be the savings in the New York and Philadelphia area together?

Mr. KOPECKY. It would be a total of \$142,000 in Philadelphia for the 18-month period, and an annual saving of approximately \$25,000 a year in the New York area.

Mr. KENNEDY. Who was it that negotiated the contract in the Philadelphia area?

Mr. KOPECKY. In behalf of the union, it was Leon Shacter.

Mr. KENNEDY. Leon Shacter is one of those on the list for the stock.

Mr. KOPECKY. Yes, sir. Leon Shacter was permitted to buy 300 shares of common stock of Food Fair Properties along with the other labor officials noted on the list.

TESTIMONY OF LOUIS STEIN—Resumed

Mr. KENNEDY. Have you ever made arrangements for Mr. Shacter to have any other financial dealings on behalf of the Food Fair Co.?

Mr. STEIN. For the Food Fair Co.'s concern? No. I personally have had one deal with him.

Mr. KENNEDY. You had a deal with him?

Mr. STEIN. Not I.

It was a group, a syndicate, maybe 30 or 40 people.

Mr. KENNEDY. What did you do?

Mr. STEIN. We bought a large tract of land in Florida, amounting to several millions of dollars. I think the total was \$6 million, and he had, I think, a \$9,900 interest.

Mr. KENNEDY. Did you approach him about going in on that land deal?

Mr. STEIN. Honestly, to tell you, I can't recall but I will try to reconstruct.

Mr. KENNEDY. Didn't you call him on the telephone?

Mr. STEIN. I did not. It happened that he was at the office on some business, and this deal was at that time in just about the completing stage.

Mr. KENNEDY. Did you make a suggestion to him at that time that he should investigate this?

Mr. STEIN. I didn't make a suggestion. I told him, as I can best reconstruct—because you can see when we have a deal involving millions of dollars, \$9,900 was not a big thing. But he knew about it, and I saw him and I happened to tell him about it, as I remember it, the conversation went along like he could have a unit, or whatever else it represented.

But he paid whatever everyone else paid. I don't know if he tried to sell it today whether he could get his money out of it.

There may be a loss today.

Mr. KENNEDY. When did you have these discussions?

Mr. STEIN. I would think it would be around December of 1956 or January of 1957.

Mr. KENNEDY. Was that at the same time this contract was being negotiated?

Mr. STEIN. I could not tell you.

Mr. KENNEDY. When was the contract signed?

Mr. KOPECKY. The contract was effective February 1, 1957.

Mr. KENNEDY. Was he in your office in connection with this office?

Mr. STEIN. No, sir; we never—

Mr. KENNEDY. What was he in your office for?

Mr. STEIN. I don't recall what he came in at that time for, sir. This is several years back. I am sure it was on some business.

Mr. KENNEDY. These other individuals we were mentioning who were allowed to buy stock, did you also place them on the list in order to insure their goodwill?

Mr. STEIN. I did not place anyone to insure goodwill. I placed them on general principles that they were human beings that I knew, and that we have known them, many of them, I know the ones I spoke to, I have known for many years, and I did not see anything improper.

Mr. KENNEDY. You considered at that time that you were preferring a favor on these people who received the stock; did you not?

Mr. STEIN. It may have been a disfavor had the price gone down. I think it was a gesture, rather than saying it was a favor.

Mr. KENNEDY. It could not have been a disfavor, because they did not have to purchase the stock. You put them on a list which gave them the right to purchase the stock for a dollar which was worth \$4. It could not have been a disfavor.

Mr. STEIN. Mr. Kennedy—

Mr. KENNEDY. Being frank and honest about it, you would consider that you were bestowing a favor on them; would you not?

Mr. STEIN. It would have been a favor if it had gone up and a disfavor if it had gone down.

Mr. KENNEDY. Mr. Stein, at the time you placed them on this list or recommended that they be put on this list, you considered that you were doing them a favor; did you not?

Mr. STEIN. Because they——

Mr. KENNEDY. Just answer the question. Then you can give any explanation you like.

Mr. STEIN. If you are putting it on a yes-or-no basis, I would say "no." As an explanation—may I please state that this is what I mean by "no." It may seem extreme to say if it sold at \$4 an hour after it was released, it was not a favor. When you deal with human beings and people, you try to see whether you cannot be pleasant about things, and you try to see that you incur, as I would call, either goodwill or prevent them to think ill of me. These are gestures which everyone finds themselves when they deal with people that they are in association with over a period of years. You don't look to be paid for it. You do it merely as a person-to-person relationship.

Mr. KENNEDY. You were not doing that for every individual that called you or talked to you, or everybody that you knew, every human being that you knew. You weren't placing them on a list so that they could purchase stock for a dollar which was worth \$4.

Mr. STEIN. No.

Mr. KENNEDY. This was because of their connection with unions that you placed them on the list; is it not?

Mr. STEIN. Sir, there was 650,000 shares and out of the list of union people here, a small fraction of the people we deal with, and the 12,000 is a very small fraction of the stock that was sold. If that were true, I could have put them down——

Mr. KENNEDY. It is a small fraction for them. But for a particular individual to make a \$3,000, \$4,000, \$5,000 profit immediately, or get a \$3,000, \$4,000, or \$5,000 gift is very nice. It might not be a lot on the basis of Food Fair's overall business, but for the particular individual it means a great deal.

In summary, and you can make any comment you like, what you permitted these 20 union officials to do was to buy stocks or bonds worth some \$90,400, and they only had to put up some \$42,100. The units for 4 of these individuals were all handled through intermediaries, so that the transaction would appear to be hidden, or at least it was hidden, and at least in 2 cases we have information that the solicitation came on the part of management.

Of course, as I pointed out to you before, to make any kind of a gift such as this is illegal.

Mr. LUCAS. Is that a question?

Mr. KENNEDY. I told him he could make any comment he wished to after I made the summary.

Mr. STEIN. The only comment I would like to make, Mr. Kennedy, is that I think from your own schedule you will note that only 2 people, I think, or 3 people, out of the entire list, have sold their securities and all are holding them today, and the value of the securities, compared to the day after it went out, now that it is almost 3 years old, 2½ years, and no return on the common stock, the stock is now selling for about half or less than half of the price listed on this list.

Mr. KENNEDY. I might just add in conclusion regarding the contracts that you had with these various individuals we have had some testimony that your contract with local 107 was advantageous over some of your chief rivals, and that your contracts with the meat-cutters were advantageous over your competitors.

The CHAIRMAN. I think on that point Mr. Stein indicated he wanted to discuss the trailer drops. That is what the counsel was referring to, I assume.

Mr. STEIN. I would appreciate, Mr. Chairman, and Senator, if I may give my résumé of trailer drops.

The CHAIRMAN. You may. You said you wanted to. Make it as concise and brief as you can. I don't want to limit you, but we are trying to get through this afternoon. Go ahead.

Mr. STEIN. As Mr. Kennedy knows, I am very intent and very intense on this particular point, because I honestly feel that our company got the short end of the stick of this 1954 contract. We had something for 5½ years, almost 6 years, known as a drop shipment, which, because we retained it in the 1954 contract, we were told that we had an advantage.

The food-distribution industry has been going through an evolution, and our company, together with Penn Fruit Co. and Best Markets were the only 3 companies that were completely in the super-marketing field of food distribution. May I correct the one impression that I think was a misunderstanding yesterday.

Although Penn Fruit is in local 929, they gave their power of attorney to the truckers association the same as we did, and everyone was supposed to be bound by those terms.

If we got an advantage, so did they, because we catered to the same people in the same trading area. So whether it was 107 or 929 made no difference. May I also call to your attention that Penn Fruit in 1954 did a greater volume of business in the Philadelphia area than we did. We were not the largest. I hoped I could say that we were at that time. But to my best recollection, I think the figures would show that in the Philadelphia area the Penn Fruit had a larger amount of volume than we did, and had, I think, more drops than we did. I am only giving this for the background that it was not we alone whose foot would have been pinched and hurt, but others who were equally involved, and to whom that meant as much. In 1949, we went into this union voluntarily, and told them our problem. We pointed out that other food concerns who had supermarkets exclusively were using the drop shipment.

The union at that time—I think it was a Mr. Crumbock, who was heading it—told us that they would give us the drop shipment. From May of 1949 until December of 1954 we always had the managerial right to determine how to use trailer drops. Mind you, we didn't use trailer drops in every instance because it was impossible to. Unless you could get a full trailer load to go to a store and use it as a warehouse, putting it on the side of the store as if it were a part of the building you could not use a trailer drop. So when we shipped frozen foods and other items which did not take in a complete load of merchandise, we could not drop shipment. But they did give us a right to use our managerial discretion as to when we should and should not have trailer drops.

In 1954, the union demanded in their contract that they do away with trailer drops. If it ever became more important, it certainly did at that time, not only to ourselves who had it, but to the American and the A. & P.; they were beginning to feel the pinch, and there is no question about it, because they were shifting from what is known

as conventional stores into the large supermarkets. Therefore, they were able to ship full trailer loads into these stores.

The CHAIRMAN. May I interrupt you just a moment?

I want to associate myself with Senator Curtis when yesterday he mentioned the fact that he thought that right belongs to management. You say you think so, too, and I want you to know that the Chair feels the same way about it. I think you should have the right to unload and handle such facilities as you want. I want you to know that I fully agree with you as to that. But it did become a problem, because they were trying to take it away from you.

Mr. STEIN. The other companies never had it in their contract.

The CHAIRMAN. But they were trying to take it away from you.

Mr. STEIN. Right.

The CHAIRMAN. That is right.

Mr. STEIN. As they were getting into the evolutionary process of developing these large supermarkets, the need for drop shipments became important to these two companies.

The CHAIRMAN. That is your competitors.

Mr. STEIN. Right. We were appreciative of that position. But they had a problem with the union which affected our drop shipments. The problem that the union and those companies had was the fact that—well, you heard Mr. Cupp testify that he used straight jobs, meaning the straight trucks and not the tractor trailers, and on the straight jobs they always had helpers, helping the driver unload the truck. As I understand the situation, the union was concerned that by having these companies change over to drop shipments, they would lose the membership, the helper memberships, that the union had. As I gather, they adopted a phrase in that negotiation known as the vanishing American. In other words, they were trying to get a policy established, and we were attempting to help the American and A. & P. to establish a policy, whereby the union could swallow the idea of giving them the drop shipments but not getting hurt in a loss of membership.

That is how it came about that the union had agreed to give them 50 trailer drops with a right to review, or 75 trailer drops immediately for the term of the contract. I think you heard Mr. Gannon say that he didn't think that the American stores could use more than 50 in that year, because they had not renovated their stores or opened enough of the newer-type stores to need many more than 50 trailer drops.

The union then insisted that approximately 50 helpers be picked up by the companies who had trailer drops, and we were assigned 20. The other 2 companies were to pick up a proportionate share, which would have picked up about 50 helpers, which we did not need. We were compelled to take the help to solve the situation that had been created, not by our doing, but because of an evolutionary change in the manner of doing business in the food-distribution field.

It was that that caused us to take the helpers on, to assume that responsibility, make sure that the A. & P. and American got what they needed, or a good deal of what they needed during that term of the contract, and to get a labor peace out of the contract.

That is my understanding of the trailer drop shipment. All we did when we got through was to have that right which we had since

1949. But what we had to do for it is to add on 20 helpers that we did not have prior to the 1954 contract.

The CHAIRMAN. Did your company negotiate on the outside of the MTLR in order to get this arrangement about you keeping your trailer drops and giving 20 men?

Mr. STEIN. I checked up on that last night, sir, and may I tell the chairman the story as I understand it? The Pennsylvania Motor Truckers or labor relations, whatever their name is—I don't know, because I have never attended any of their meetings—provide that no company can negotiate, but nothing is to prevent them from discussing it. When we got into the position where we thought there may be a trick, I understand that Mr. Schwartz and Mr. Cohen had a conversation and they told Mr. Blank that we would take a strike if we lost the trailer drops because we could not operate without them.

I understand Mr. Blank went down and conveyed that message with 107. He did not negotiate. I asked Mr. Blank about it. He testified to that effect, but I asked him before he left this room last night. He told me he did not negotiate. He merely went down and told them the position that we intended to take. There is one other thing. May I at this time state, if it is of interest to the committee, and Mr. Kennedy. As you may remember, there was some question in Mr. Gannon's testimony that a telephone call came from the office of 107 while he was sitting with Mr. Gannon, to George Friedland. I have checked the office and I understand that Mr. George Friedland left for office. I don't know.

He is not in the country. He will be back in a couple of days, but my best recollection is, and I would like to submit an affidavit to the effect, that in that year, 1954, he left for Florida on December 7, and returned on New Year's Day. I think it was either December 31 or January 1. Either December 31 or January 1, 1955.

The CHAIRMAN. You heard the testimony of Mr. Gannon?

Mr. STEIN. I did, sir, and that is why I am bringing this.

The CHAIRMAN. We can clear this up when Mr. Friedland comes back.

Mr. STEIN. Or I can give you the affidavit.

The CHAIRMAN. Your affidavit would be from hearsay.

Mr. STEIN. I meant I could submit his affidavit or you could call him.

The CHAIRMAN. In other words, Mr. Friedland can clear it up if he is given the opportunity to make a statement about it. The impression, you see, which has been gained here, and from the evidence yesterday, from the testimony that we heard, you were all obligated to go along and negotiate through MTLR. The statement was to the effect, if not a direct statement to the effect, that it was your company that broke the line, and Mr. Cohen called Mr. Gannon out and told him that his lines were broken, that you folks were not going along, and therefore, Mr. Gannon questioned it, and Mr. Cohen said "I will prove it to you."

He dialed a number, and played he was talking to Mr. Friedland, and then to further assure him that he was, he said that Mr. Schwartz would be called on the telephone in 10 or 15 minutes, and that occurred.

According to Mr. Gannon's testimony, Mr. Schwartz after the telephone call, came in and told them that you folks were not going to

hold the line, but you were going to take their offer of this 20 helpers or employees, and get your unlimited trailer drops.

Mr. STEIN. May I do this, with the chairman's permission. Mr. Friedland will be back shortly in from Europe. I will have counsel get in touch with Mr. Kennedy. We can either submit an affidavit, or I am sure that Mr. Freidland will be glad to come down.

The CHAIRMAN. We can determine that at the time. But I am just pointing out to you here the testimony that you heard yesterday. I assume you were here in the room. Of course, that raises a question. Would you state that these trailer drops are an economic advantage or a disadvantage, or just a balance?

Mr. STEIN. In dollars and cents, it may be a disadvantage. But they have what we call a convenient factor. Now, I know convenience means economic, and how that spells out is anybody's guess. Everybody could interpret the economics in a different fashion. But let me tell you it is more than what we call merely economics. The stores that are being put up, and which we have been putting up for many years, are such that you can't operate other than making that trailer a warehouse, part of the store. It is as if it is built in. We have tremendous openings in the walls of our buildings.

These trailers are driven against these openings, and they are left there. Then as it is needed, it is taken out. That is the convenient factor.

The CHAIRMAN. You originally have to invest in motor trailers, but in this evolutionary process that you say is taking place, the old equipment would not be satisfactory for that purpose, and, therefore, you get the new equipment.

You need trailer drops, if you are modernizing, following the evolutionary processes, making progress in the distribution field, particularly of food stores.

That is, I would assume, the most modern and the most economical, if you have your equipment and your facilities constructed for that use.

Mr. STEIN. That is right.

The CHAIRMAN. All right. Is there anything further?

Senator CURTIS. I want to ask something about that.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. The union demanded 20 more men be employed for this concession of trailer drops. Did you need that many more men? Was there more work to do?

Mr. STEIN. No, sir; we don't need them, and they were not needed. But we did that in order to be able to get an equitable solution to the problem that was facing our competitors as well as the union in what was termed as the vanishing American.

Senator CURTIS. It was a demand for featherbedding in return for what, so far as the drivers were concerned, was a labor-saving device?

Mr. STEIN. It was a featherbedding so far as we were concerned, because our trucks didn't need the extra people. We took some advantage of them in the sense that when they are on the truck, we make them help unload the merchandise.

But the time of traveling with the truck back and forth takes as much if not more time than merely unloading the truck, and it is a waste of money and, to our extent, the objection to that type of a deal.

But in order to get harmony in the situation, we agreed to take our share. There were about 50 picked up.

We only picked up 20 out of the amount. The others were picked up by the others. So you can see I don't think we had the majority or the greatest amount of trailer drops as was stated here yesterday.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Mr. KENNEDY. I have just a few more.

The CHAIRMAN. All right.

Mr. KENNEDY. Mr. Stein, you retained the law firm of Blank & Rudenko, is that right?

Mr. STEIN. We did, sir. I did.

Mr. KENNEDY. How were they paid, Blank & Rudenko?

Mr. STEIN. Blank & Rudenko were paid \$20,000 a year until the new association was formed, and then we are to get a credit for them for whatever we must pay into that association.

Mr. KENNEDY. Were they paid by Food Fair Co.?

Mr. STEIN. All excepting 2 checks; 1 for \$10,000 and 1 for \$2,500.

Mr. KENNEDY. Where did that come from?

Mr. STEIN. That came from Powhatan Sales Co.

Mr. KENNEDY. What is that?

Mr. STEIN. That is a distribution company that services our stores.

Mr. KENNEDY. Are they wholly owned by you?

Mr. STEIN. No, they are not.

Mr. KENNEDY. Did they do work for Powhatan Sales?

Mr. STEIN. No, we did not. There was a credit due us of a much larger amount than this amount, and when the bill was settled, our comptroller asked that this amount be settled by Powhatan Sales, asked Powhatan Sales to honor those bills for our account.

Mr. KENNEDY. Powhatan Sales honored this bill for an amount that they owed you?

Mr. STEIN. There was a credit due our company of a much larger amount than the \$12,500. I think there was \$45,000 or \$50,000 altogether. The figure escapes me at the moment.

Mr. KENNEDY. Are you going to get the books and records on the matter dealing with Mr. Gordon?

Mr. STEIN. Yes, certainly. I think we have them here.

Mr. KENNEDY. The matters we discussed last night?

Mr. Shapiro?

Mr. SHAPIRO. I have them here. I have them in a safe place at the hotel.

Mr. KENNEDY. Will you make them available?

Mr. SHAPIRO. Sure.

Mr. KENNEDY. I am talking about the \$9,000 checks that were cashed.

Mr. SHAPIRO. Somebody is getting that for us in Philadelphia. Do you mean the \$11,000 check we talked of yesterday?

Mr. KENNEDY. Yes.

Mr. SHAPIRO. That is being made available.

Mr. KENNEDY. Do you have books and records on that?

Mr. SHAPIRO. Not here.

Mr. KENNEDY. Do they have them anywhere?

Mr. SHAPIRO. Yes, sir.

Mr. KENNEDY. You will get them, showing what happened to them?

Mr. SHAPIRO. Yes. When do you want them?

Mr. KENNEDY. We were told, initially, you had no records.

Mr. SHAPIRO. When you talk about records, it is a loose word. We have cash checks and the original checks. In other words, the \$11,000 was paid out in order to cash the checks of the warehousemen.

Mr. KENNEDY. We want to get the records to show what happened after the checks were cashed.

Mr. SHAPIRO. If there were any, we will get them; yes.

Mr. KENNEDY. Do you have any books and records on that?

Mr. SHAPIRO. That matter is being looked up, and whatever books and records we have will be sent to you. The information we have at present is that there were very few occasions on which any of this cash money used for cashing checks was left over. On those occasions which there was, there will be evidence produced to you as to what happened to the cash.

Mr. KENNEDY. We requested certain paid bills to certain individuals, companies, and hotels. Are you going to make those available?

Mr. SHAPIRO. We have given you some.

Mr. KENNEDY. I want to get assurance at this time.

Mr. SHAPIRO. Certainly. We have a list of a number of things we have not turned over to your investigator yet, but they are all being made available; yes, sir.

Mr. KENNEDY. Was Mr. Lapensohn on the Food Fair Christmas list for 1954, Mr. Stein?

Mr. STEIN. No, sir.

Mr. KENNEDY. Was he on the Christmas list for 1955?

Mr. STEIN. I don't think he was ever on our list.

Mr. KENNEDY. We would like to have the general ledger for the preferred-stock purchase fund. Do you want to write these down? The preferred-stock purchase fund. We have already requested this, and I don't know why it was held out.

Mr. SHAPIRO. The only reason is because nobody was there to take them. You are talking about a truckload of records.

Mr. KENNEDY. The preferred-stock purchase fund; allowance and discounts.

Mr. SHAPIRO. Is this receipts, Mr. Kennedy, you are talking about?

Mr. KENNEDY. These are the accounts which you removed from the general ledger. We would like to know why they were removed.

Mr. SHAPIRO. I think you know why. I thought we had an arrangement with you. We understood these were matters of private information for the company that had no relevancy to the question now at issue.

Mr. KENNEDY. Now we want them.

Mr. SHAPIRO. We would like to raise that question, Mr. Kennedy. If there is any particular account that he refers to that does not involve the privacies of the company, then maybe we can work it out. I said that to Mr. Bellino in Philadelphia. But, certainly, the money we received, we certainly didn't receive it from any labor people. We received it in the ordinary course of our cash business. These are the questions we raise as not being pertinent to this issue. Any expenditures you have asked for we have given you, the whole ledger, except those items.

On the impression of what might have been taken, whatever was taken out of those books was taken with the agreement of Mr. Bellino, and he has a list of the pages and the titles of each page removed from the book. It is entirely the proposition of whether it is or is not pertinent.

The CHAIRMAN. The Chair will determine about that. You will be advised.

Mr. KENNEDY. What other financial transactions have you or your company, or any of the officials of Food Fair, had with Mr. Lapensohn?

Mr. STEIN. As far as I know, none.

Mr. KENNEDY. Has the Food Fair Co. ever made any payments to Mr. Lapensohn?

Mr. STEIN. No, sir.

Mr. KENNEDY. They never have?

Mr. STEIN. I am speaking for myself, and I am sure I am speaking for my associates.

Mr. KENNEDY. Your what?

Mr. STEIN. My associates.

Mr. KENNEDY. Your associates never have?

Mr. STEIN. That is right.

Mr. KENNEDY. Have you?

Mr. STEIN. I said I am speaking for myself, and I am sure I could speak for my associates.

Mr. KENNEDY. Well, have you discussed any other payments made by any of your associates to Mr. Lapensohn, the fact that they did make such payments?

Mr. STEIN. No. I was trying to cover all of them when you raised the question.

Mr. KENNEDY. And also as far as your company?

Mr. STEIN. That is right.

Mr. KENNEDY. The only transactions that you have had of any kind are the ones that we have discussed here today?

Mr. STEIN. Yes, sir; to the best of my knowledge. I am sure that is it.

Mr. KENNEDY. Also, dealing with Mr. Max Block, whose name appears on this stocklist, and about whose union Mr. Kopecky testified, has Mr. Block ever approached you about giving any business to his son-in-law, Martin Zeitler?

Mr. STEIN. He did.

Mr. KENNEDY. And Mr. Zeitler is in a packaging and paper corporation. When did Mr. Block approach you on that?

Mr. STEIN. It must be quite some years back. I don't recall, exactly.

Mr. KENNEDY. 1953?

Mr. STEIN. I gave the records to your investigators. In fact, we sent a letter on it. You have a letter in the file.

Mr. KENNEDY. What did Mr. Block say to you at that time?

Mr. STEIN. He just asked if we had an opportunity to give his son-in-law some business, would we do it. I know for a long time he didn't get any business, because his price wasn't right. I remember that distinctly. It came up because a note was sent down to see if they could do some business with them, and they told us they couldn't because his price wasn't right.

Mr. KENNEDY. Did you, in fact, do business with him later on?

Mr. STEIN. Eventually I understand they began doing some business. It was some time after his original request to me.

Mr. KENNEDY. How much business did you do with Mr. Zeitler's company?

Mr. STEIN. You would have a better recollection, unless I have the letter with me.

Mr. KENNEDY. Let me give you the figures, and you tell me if they are incorrect: 1955, \$43,729.68; 1956, \$166,614.97; 1957, \$298,361.26; making a total of \$508,705.90.

The CHAIRMAN. Is that substantially correct, so far as you know?

Mr. STEIN. That is supposed to come from our records, sir.

The CHAIRMAN. What kind of business is that?

Mr. STEIN. I think—as I best can recollect, this was some years ago—they make cellophane bags, printed items, used in packaging merchandise and wrapping merchandise.

The CHAIRMAN. As I understand it, Mr. Zeitler is the son-in-law of Mr. Block, and Mr. Block is an officer in the union?

Mr. STEIN. I don't know.

Mr. KOPECKY. Mr. Block is a vice president of the International Butchers' Union and, in addition, he is also president of two local butcher unions in New York, local 342 and local 640. These local unions have contracts with Food Fair Stores.

The CHAIRMAN. Is there anything further?

Mr. KENNEDY. He doesn't actually make the paper himself; does he, Mr. Stein? You don't know?

Mr. STEIN. No.

Mr. KENNEDY. Actually, they have between 11 and 17 percent of Food Fair's business; isn't that right?

Mr. STEIN. Is that what it has there?

Mr. KENNEDY. Yes.

Mr. STEIN. Then that is what it is?

Mr. KENNEDY. And Food Fair, in turn, amounts to about 40 percent of all of Mr. Zeitler's business. That is something you would have no knowledge of.

The CHAIRMAN. You wouldn't know about that?

Mr. STEIN. May I say this, and I think our records will so indicate, for a long time he couldn't get any business from us because he wasn't competitive. It may have been something like 6 months or more. We will be glad to submit the bills to show that it was always on a competitive basis. As you know, it is 11 to 17 percent, so we do about 85 percent with other people.

Mr. KENNEDY. He was only married to Mr. Block's daughter in December of 1952.

Mr. SHAPIRO. That wasn't our fault at all. We had nothing to do with it.

Mr. KENNEDY. Maybe that is why he didn't get business earlier.

Mr. LUCAS. Mr. Chairman, may I confer?

The CHAIRMAN. Yes.

(Witness conferred with his counsel.)

Mr. STEIN. Mr. Chairman, my counsel reminds me of one of the salient facts I had not stated insofar as the drop shipments are concerned.

After the 1954 contract was signed we found ourselves in a tremendous hassle with 107 because they interpreted the contract differently than we did. We interpreted that we would have our drop shipments as usual if we took on these 20 helpers. It was no more than about 2 weeks after the new year started when we changed a store from one location to another and they refused to allow us to have drop shipments on the theory "as usual" meant only the old stores and we couldn't apply it to any new stores.

The CHAIRMAN. They got a little technical with you; didn't they?

Mr. STEIN. All through 1955 and 1956 we did not make any trailer drops in any stores that were opened in those years. You had the impression that we had unlimited drops, but that is not correct.

We could only drop them on stores which we had in operation prior to December 31, 1954.

The CHAIRMAN. In other words, at the time of the contract.

Mr. STEIN. That is right.

The CHAIRMAN. Any new venture after that, any new facility, you were denied the right to drop, according to their interpretation of the contract?

Mr. STEIN. And we opened up, I would say, many, tens of stores, in the area, all of which were denied the drop shipments during those 2 years.

The CHAIRMAN. When we speak of unlimited, it was related to the contract, at the time of the contract. You thought you were getting them unlimited for all time, and then they raised that issue with you afterward.

Mr. STEIN. The second matter that we had is that in thinking we had the same rights as before, when we took our merchandise, truckloads, from one warehouse to another, we always paid the contract rate. After the new contract was signed they compelled us to pay, I think, something like \$3.16 per truckload over and above the normal rate specified in the contract. The third problem we had was, although the contract called for rates for fish drivers, if the truck of fish went from one warehouse to another, they compelled us to pay double time.

In other words, for what was a 1-day run we would have to pay 2 days. Those were only part of the many problems that we had with 107. What I am attempting to say is we didn't have a bed of roses.

The CHAIRMAN. I am sure you didn't.

All right. Is there anything further?

Mr. Schwartz, come forward, please.

TESTIMONY OF JULIUS S. SCHWARTZ, ACCOMPANIED BY HIS COUNSEL, SCOTT W. LUCAS AND HARRY SHAPIRO—Resumed

The CHAIRMAN. Mr. Schwartz, you were sworn yesterday. You will remain under the same oath.

I think your counsel requested or suggested that they wanted you to testify. I will let you start, and we will interrogate you later.

Mr. LUCAS. Mr. Chairman, I requested Mr. Schwartz to come and testify, but Mr. Stein has covered all that I expected Mr. Schwartz to testify on before this committee.

The CHAIRMAN. All right. I was just giving him the opportunity to speak first. I thought he may have something in mind.

All right, Mr. Kennedy.

Mr. KENNEDY. Mr. Schwartz, did you approach any of these individuals to determine whether they wished to buy any shares of stock of Food Fair?

Mr. SCHWARTZ. To my best recollection, I did not approach anybody specifically to buy stock.

Mr. KENNEDY. Do you deny that you made an approach to any of these individuals?

Mr. SCHWARTZ. I deny that I made a direct approach to anybody to buy stock.

Mr. KENNEDY. Do you deny that you discussed this?

Mr. SCHWARTZ. No; I do not deny that I discussed it.

Mr. KENNEDY. Mr. Eugene Kennedy states:

In approximately August or September 1955, Mr. Jules Schwartz contacted me to determine whether I desired to purchase stock of Food Fair Properties, Inc., which was to be issued in the near future.

Did you contact him at that time?

Mr. SCHWARTZ. I had a continuous relationship with him and many other union men, and we have many discussions. At the time that that stock was coming out, there was quite a bit of excitement around and I had many calls about it, not only calls from union people, but nonunion people, my neighbors, the dentist, and a lot of friends.

In the particular case of Kennedy, I recall conversations with him.

Mr. KENNEDY. You do recall the conversation?

Mr. SCHWARTZ. And we discussed stock. Not only on this stock, but on previous occasions, other stocks.

Mr. KENNEDY. Did you tell him at that time that this stock was available?

Mr. SCHWARTZ. I wouldn't tell him that any stock was available for this reason. We had no stock for sale.

Mr. KENNEDY. Did you tell him there was a possibility of him securing some stock?

Mr. SCHWARTZ. There was a possibility, in that there was a new company being formed. We exchanged views, and I mentioned I would try to get it for him, or try to get him some.

Mr. KENNEDY. You would not deny this, I take it, that—

in approximately August or September, Mr. Jules Schwartz contacted me and asked if I desired to obtain stock in Food Fair Properties.

Mr. SCHWARTZ. I don't know whether he contacted me or I contacted him.

Mr. KENNEDY. But you don't deny the statement?

Mr. SCHWARTZ. That statement? I am not sure of the statement.

Mr. KENNEDY. You don't deny it, do you, Mr. Schwartz?

You do not deny the accuracy of the statement?

Mr. SCHWARTZ. On one occasion or so, I may have been in touch with him, but I did not directly approach him first on that stock.

Mr. KENNEDY. Who approached who?

Mr. SCHWARTZ. I don't recall, but we did have discussions.

Mr. KENNEDY. He states that you did approach him.

Jules Schwartz contacted me to determine whether I desired to purchase stock of Food Fair Properties, Inc., which was to be issued in the near future.

Do you deny that you did that?

Mr. SCHWARTZ. I don't think I did that.

Mr. KENNEDY. Do you think it is possible that you did it?

Mr. SCHWARTZ. It is possible.

Mr. KENNEDY. Then Anthony Matz states:

In approximately the late summer of 1955, Mr. Julius Schwartz confronted me at the Cherry Hill Inn Restaurants located adjacent to the Garden State Race-track. This was the first occasion in a number of years that Mr. Schwartz and I had been in contact. After exchanging the usual greetings, Mr. Schwartz inquired as to whether I had any extra money. He elaborated on this statement to the effect that a new company was being formed to be known as Food Fair Properties, Inc. Mr. Schwartz further indicated to me I could get in on the ground floor of this company by being able to purchase the stock at \$1 a share. He also stated this would be a good investment, that I would not have to worry about risking my money, and that it was an investment which I could put away for a long time and forget about it.

Is that correct?

Mr. SCHWARTZ. I wouldn't agree with all of it. Of course, again I am testing my memory. There was discussion with Mr. Matz, and we had greetings. I think I may have suggested to him that a new company was being formed, but I certainly don't recall saying to him "you could buy this, put it away," and things of that type.

Bear in mind, we had no stock for sale and I wasn't going around soliciting it. If I wanted to solicit, I could solicit hundreds of people.

Mr. KENNEDY. But you did discuss this stock with him?

Mr. SCHWARTZ. That is right.

Mr. KENNEDY. And you did point out to him at this meeting that the Food Fair Properties, Inc., that the stock for the Food Fair Properties, Inc., would be made available?

Mr. SCHWARTZ. It wasn't a meeting of any type. I think it was the night I was out with a couple of neighbors for dinner and I ran into him, and I recall several of the people at my dinner table talking about it.

Mr. KENNEDY. Did you tell him at that time there was a possibility—

Mr. SCHWARTZ. That there was a possibility and I would try to get him some.

Mr. KENNEDY. You suggested this to him; did you not?

Mr. SCHWARTZ. I can't say definitely that I suggested to him. I don't remember.

Mr. KENNEDY. Do you deny that you did?

Mr. SCHWARTZ. That I suggested it?

Mr. KENNEDY. Yes.

Mr. SCHWARTZ. I can't say that I deny it. I will admit that I talked to him about it.

Mr. KENNEDY. Mr. Matz says this is the only time he has ever purchased any stock, and this was the one transaction that he had.

Mr. SCHWARTZ. That is his business, not mine.

Mr. KENNEDY. But it would appear from all the facts surrounding it, and the fact that Mr. Eugene Kennedy never purchased it, but his sister purchased it, it would make it appear that their statements as to what occurred are correct.

Mr. SCHWARTZ. I cannot agree that the statements are absolutely correct.

Mr. KENNEDY. You just can't deny; is that correct?

Mr. SCHWARTZ. I can't deny that I did talk to those men, and I talked to many others, union people and non-union people, neighbors, doctors, dentists, and among those there were hundreds of people on these lists.

Mr. KENNEDY. Did you make it a practice to entertain union officials occasionally?

Mr. SCHWARTZ. Yes, I did.

Mr. KENNEDY. Did you ever entertain Mr. Lapensohn?

Mr. SCHWARTZ. Never.

Mr. KENNEDY. You never took him out?

Mr. SCHWARTZ. No.

Mr. KENNEDY. How about Mr. Cohen?

Mr. SCHWARTZ. Do you mean Raymond Cohen? Never. I never met Raymond Cohen until 2½ years after he took office. I never saw him before.

Mr. KENNEDY. What about Miss Seigel in Baltimore. Do you know her?

Mr. SCHWARTZ. I know her, yes.

Mr. KENNEDY. Who was she with?

Mr. SCHWARTZ. She was a business agent for the clerks union for many years, and I will have to admit that she and I had our wrangles for 10 or 12 years, over the bargaining table.

Mr. KENNEDY. She was ultimately fired by the Retail Clerks?

Mr. SCHWARTZ. I don't say she was fired. I think she got into the middle of a jurisdictional dispute and evidently resigned.

Mr. KENNEDY. She got fired from the Retail Clerks, as we understand the records of the Retail Clerks, for being too close to the officials of Food Fair.

Mr. SCHWARTZ. I can say this to you right now, Mr. Kennedy, what you just said is news to me.

Mr. KENNEDY. Where did she go to work after the Retail Clerks?

Mr. SCHWARTZ. I think she is with a poultry outfit in Baltimore.

Mr. KENNEDY. Where did she first go to work?

Mr. SCHWARTZ. Immediately after that she came to work for us for a couple of months under a provision of the contract.

Mr. KENNEDY. She came to work for Food Fair?

Mr. SCHWARTZ. Yes, under a provision in the contract.

Mr. KENNEDY. You had to give her a job?

Mr. SCHWARTZ. She had to have a job. I think there is a clause there that when a business agent is on leave—

Mr. KENNEDY. She wasn't on leave. She was fired.

Mr. SCHWARTZ. No, she was on leave from us, from the company. I don't have a contract here, but there is a provision in most contracts that when an employee becomes a business agent, you make a provision for them to come back to work. We complied with our contract.

Mr. KENNEDY. Was that a contract with the union?

Mr. SCHWARTZ. That is a contract with the union, yes.

Mr. KENNEDY. I think as long as the union fired her for betraying her trust, I doubt so much that they would have enforced the contract to insure that you gave her a job.

Mr. SCHWARTZ. I didn't even know she had been fired.

Mr. KENNEDY. She went to work for you, you knew that, did you not?

Mr. SCHWARTZ. She was out of the union. I didn't know she was fired. I think the union was placed under trusteeship, wasn't it?

The CHAIRMAN. Mr. Schwartz, before you leave I think I ought to ask you this question, which I do not believe has been answered by you.

In Mr. Gannon's testimony yesterday with respect to the negotiations just before the contract was made, during the period of negotiations, I think he said on the last day that you received a telephone call about 10 minutes after Mr. Cohen had presumably telephoned Mr. Freedland. Did you receive such a call?

Mr. SCHWARTZ. I never did. In fact, I was quite shocked to hear that story yesterday.

The CHAIRMAN. You say that story is not true?

Mr. SCHWARTZ. It is not true. I did not receive the call. We sat in a room. If any phone calls came, they came in that room, and there were 8 or 10 other representatives of other companies at that time in there.

The CHAIRMAN. I thought maybe you overlooked it. I want to know what the answer was.

Mr. SCHWARTZ. I heard the testimony and I burned.

Mr. SHAPIRO. We were just talking about that. We were a little reluctant to cover it because of the lateness of the hour.

The CHAIRMAN. I want to get this record as complete as I can. If something is said that someone thinks is untrue, that affects him, I want to give him the chance to answer it.

Mr. SCHWARTZ. Senator I want to thank you for that, too.

The CHAIRMAN. I am not passing judgment, but it is in the record, and to me it is a pretty damaging statement.

Mr. SCHWARTZ. It was a mean statement, too.

The CHAIRMAN. I didn't say that. You said that. That is a matter of opinion. But if you were under obligation, if your company had entered into this agreement with MTLR, as a member of it, and had given them the power of attorney, and then went out and negotiated on the side, or broke down the line, as they termed it, and by doing so in effect destroyed the bargaining effectiveness of the others, and they had to yield by reason of it, I think it is something that is out of line.

(The witness conferred with counsel.)

Mr. SCHWARTZ. Getting back to that question of breaking the line, there was no line broken by us.

The CHAIRMAN. If Mr. Gannon's testimony is true, with all of its implications as to the deal having been made by your company on the side with Mr. Cohen, in which he could come in there and call the head of your company and say, "Listen, are you going to standby what you told me," and was using that to establish the fact with the others he was negotiating with that the line had been broken, if those facts are true, then it looks to me like there was a breaking of the line. I don't see how anyone could draw any other conclusion.

Mr. SCHWARTZ. I might say this, that no line was broken, and the story is not true. I heard that story myself from Mr. Cohen.

The CHAIRMAN. Is there anything further?

Mr. SHAPIRO. Would you mind letting him tell that conversation he had with Mr. Cohen yesterday, Mr. Chairman?

The CHAIRMAN. Mr. Cohen is here. That would be hearsay. Mr. Cohen is here and we have tried to get the truth out of him and he wouldn't talk. I couldn't call Mr. Cohen here and get anything out of him, I don't think.

Mr. SCHWARTZ. Maybe he will talk on this subject.

Mr. LUCAS. Mr. Chairman, this is extremely important, if the Chair will permit this witness to repeat exactly what Ray Cohen told this witness yesterday with respect to the telephone call. We don't vouch for Cohen's veracity, you understand, but I would like to have that story told anyway.

The CHAIRMAN. I have no objection, only it is in a sense, cluttering up the record. I want to say this. When one in Mr. Cohen's position is given an opportunity to come up here and testify and help clear these things up, maybe because he didn't we are having to have other witnesses here.

Mr. LUCAS. I appreciate that, Mr. Chairman. But he did not take the fifth amendment on a number of things, and I doubt if he will take it on this question, about that telephone conversation. I would like to have Mr. Schwartz repeat it if permissible.

Mr. KENNEDY. If I may say so, one of the points here is the relationship which has existed between Food Fair and 107.

The CHAIRMAN. All of that can be taken into account. How long is the statement?

Mr. LUCAS. It is a very short statement.

The CHAIRMAN. Make it brief. But I want to say that the Chair—I will not say I would not believe what you say, but I am saying when a witness comes up and he evades, as Mr. Cohen has, he doesn't stand very high in dependability with me.

Mr. SCHWARTZ. I will give you the story as briefly as I can. It was a very, very difficult negotiation. On the last day of the negotiation, as you heard yesterday, Mr. Gannon carried the ball because Mr. Clark had collapsed a night or two before. I understand from Mr. Cohen, and this is Raymond Cohen and not Arnold Cohen, that in order to break the back a little bit he called Mr. Gannon in and they spoke for a minute or two, and then he made a play, which happens in negotiations, where he said:

Look, you boys are tough, but I think they are folding, Food Fair is folding, and I will show you what I can do here. I am going to try to get George Friedland on the phone.

He dialed some numbers, as I understand it. Mr. Gannon went for it, and that was a breakdown, and we finally got a settlement. There never was a call.

The CHAIRMAN. I can appreciate Mr. Cohen would do that, if he thought he would get by with it. You are not telling me anything I would not suspect with regard to him. But I don't know whether Mr. Gannon would be so stupid or not unless or until he thought that that telephone call had come through to you.

Is there anything further?

Senator CURTIS. There was no subsequent call to you?

Mr. SCHWARTZ. No, sir.

The CHAIRMAN. That is very conflicting evidence.

Mr. KENNEDY. I think, of course, we have to keep in mind that you had, as your bargaining representatives, the MTLR during this period of time; that Mr. Blank does admit, and your company does admit, that they carried on behind MTLR's back a meeting. Then there is Mr. Gannon's testimony that followed that this conversation with Mr. Cohen took place, the call was placed, the call was made, and

subsequently you got your unlimited drops, you put the 20 helpers on, and you got a better contract than anyone else.

Mr. SCHWARTZ. We did not.

The CHAIRMAN. That is a matter of opinion, whether you got a better one or not. We have some proof here. You say you did not and others say you did.

Senator CURTIS. Who were the other people in the room at the time this second telephone call was testified to?

Mr. SCHWARTZ. We weren't in the room. Presumably the second telephone call? I can give you the list of the people. There were representatives in there from the Frankfort Grocery Co.

Senator CURTIS. Who was it?

Mr. SCHWARTZ. Herman Hyme. You had a representative from the William Montgomery Co. I think Robert Montgomery. You had two representatives from the Penn Fruit Co., from Barney Korschin, and a man named Patterson. You had in that room representatives of the American Stores, specifically, I think, Blaney Barton, and it could have been their retired vice president in charge of labor, Fred Johnson. There might have been one or two others. That room is a large room used as a caucus room. Incidentally, too, as part of our negotiations, and the one that brought back this particular settlement, happened to be the counsel for the MTLRA, Mr. Segal. Mr. Segal happens to be general counsel not only for the Motor Truckers Association but Penn Fruit Co. and also a director of that company. I heard here in testimony that 929, which was the union that they were members of, was not in this negotiation. But I do happen to have this in my pocket. When the Motor Transport Labor Relations put out the final settlement, here is what it read, and I think the committee has these facts in front of them. Here is a letter dated December 30, 1954, addressed to "Dear members." It is from the Motor Transport Labor Relations, Inc.

DEAR MEMBERS: We are enclosing a résumé of the matters agreed upon in our negotiations with Mr. Raymond Cohen, secretary-treasurer of local 107, who acted as negotiator for his own local as well as for locals 470, 929, 676, 384, 312, and 381, all matters covered by this résumé became effective January 1, 1955. As soon as the attorneys for this association and the attorneys for the union draw up the new agreements, copies will be mailed to each member of this association. Additional copies may be had for the cost of printing. We suggest you read this résumé carefully and if you have any questions regarding it, call this office at once.

Very truly yours,

MOTOR TRANSPORT LABOR RELATIONS, INC.,
JAMES P. CLARK, *President*.
HUGH F. GANNON,
Vice President and Treasurer.

They were as much a part of this contract as anyone else and sat in the room while negotiating this.

The CHAIRMAN. All right, thank you very much.

We will not announce the closing of the hearing, as it will be continued. But the Chair wishes to express for the record the thanks of the committee to those staff members who have worked on these cases.

On the Philadelphia case, they were Mr. Leo C. Nulty, Jerry Alderman, Ralph DeCarlo, George S. Nash, Albert Vitarelli, Herbert Rose, John Flanagan, Francis X. Plant, J. Edgar Parkhurst, Ralph Mills, Carmine Bellino. On the New York case were Mr. Robert

Dunne, Charles Wolfe, Francis Ward, Joseph Unger, and Andrew Macyko, Maurice Frame, Robert J. Cofini, Luther L. White, John Prinos.

These staff members have a terrific job to do when we go into these investigations, especially as broad as these two have been, and particularly when we encounter the obstructions that we frequently do.

In investigating locals 596 and 107, those who had the facts refused to give them, and we had to dig and dig to get them out. It is quite complimentary to the staff to be able to develop these things under such handicaps. I am grateful to them and wish to express that for the record.

This has been done under the direction largely, of course, of chief counsel, Mr. Kennedy.

This committee or no other committee of its kind could make any successful investigation without a staff that is competent and able to do this difficult work.

The committee will stand in recess until 2 p. m. next Wednesday, May 14, the room where we will meet will have to be announced later. We are not sure that we can have the caucus room. If we can, we will be here.

Mr. LUCAS. Mr. Chairman, before the close of the record, we desire also to thank the chairman of this committee and the counsel and members of the staff, and also the other members of the committee who sat patiently and listened to the testimony that we offered.

The CHAIRMAN. Thank you, Senator. I want to tell you again it is a pleasure to have you up here. I hope you hurry back.

Mr. SHAPIRO. I want to add my words as a stranger, having been treated very courteously.

(Whereupon, at 4:50 p. m. the committee adjourned, with the following members present: Senators McClellan and Curtis, to reconvene at 2 p. m. Wednesday, May 14, 1958.)

EXHIBIT No. 30A

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Girard Wall Paper & Paint Co. C

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Sold to

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CASE	CHARGE

Goods should be carefully examined as to quantity, color, condition, quality, etc., before being cut, as no allowance will be made after goods are cut.

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(A. F. of L.)

PENNSYLVANIA FEDERATIONIST

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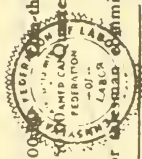
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Make checks payable to PENNSYLVANIA FEDERATION OF LABOR

27

*Received from J. S. White Dental Supply Co. 1/12/14
A. F. L.*

BY ENDORSEMENT THIS CHECK IS ACCEPTED IN FULL PAYMENT OF THE FOLLOWING ACCOUNT		KINGSTON TRAP ROCK COMPANY KINGSTON, NEW JERSEY		No. 12244	
DATE	AMOUNT				
MAY 27 1913					
TOTAL OF INVOICES		55-73			
LESS DISCOUNT		312			
TOTAL DEDUCTIONS		1000.00			
AMOUNT OF CHECK		1000.00			
IF DISCOUNT PLEASE RETURN NO RECEIPT NECESSARY					

PAY TO THE ORDER OF *Chas. R. Kistner*

EXACTLY 1000.00 CTS

KINGSTON, N. J. *14* 1913

VOID AFTER (30) DAYS

THE FIRST-MECHANICS NATIONAL BANK
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KINGSTON TRAP ROCK COMPANY

R. A. Kistner
SECRETARY - TREASURER

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OR PAY TO THE ORDER OF
ANY BANK, BANKER OR TRUST CO.

MAY 4 1913

THE FIRST-MECHANICS NATIONAL BANK
OF TRENTON
TRENTON, N. J.

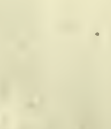
55-73 55-73

Sam Kistner

EXHIBIT No. 39B

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TRUST COMPANY OF PITTSBURGH
PITTSBURGH CENTRAL LABOR UNION
SPECIAL ACCOUNT



man, dated December 31 1957 (4-16-349)

Major objections - To eliminate raidings.
 Not for banding together for
 political gains.
 Will only affect top level
 AFL to be dominant because
 of larger membership.
 Union afterward will continue
 that Govt. should not interfere
 in private business
 that maintain the Employee System

J. P. Ladd
 9/10/55

EXHIBIT No. 49A

ATTACHMENT 4

Attachment 4

Imprints of 3 stamps furnished by Mrs.

Lefkowitz of Rolee. These stamps made by

Trucraft Printing Co.

NEW YORK FEDERATIONIST

DEPOSIT TO THE ACCOUNT OF
NEW YORK FEDERATIONIST

NEW YORK STATE FEDERATION OF LABOR
DEPOSIT TO ACCOUNT OF
NEW YORK FEDERATIONIST

EXHIBIT No. 52

February 28, 1952

Mr. Earle J. Machold, President
Niagara-Mohawk Power Corporation
300 Erie Boulevard West
Syracuse 2, New York

Dear Mr. Machold:

We were extremely pleased to receive your check in the amount of \$7500.00 covering the back cover of the 1952 edition of the NEW YORK FEDERATIONIST. You can be sure this money will be put to good use.

Mr. Morrell asked that we return a copy of the contract and same is enclosed.

On behalf of our entire organization I want to express our sincere thanks for your wonderful cooperation.

Sincerely yours,

EWL
enclosure

D. M. Lion
Director of Publicity

EXHIBIT No. 52A

February 5, 1953

Mr. Earle J. Machold, President
Niagara-Mohawk Power Corporation
300 Erie Boulevard, West
Syracuse, New York

Dear Mr. Machold:

I wish to extend sincere thanks for the contract for the outside back cover advertisement to appear in the 1953 edition of the NEW YORK FEDERATIONIST.

We will do all in our power toward fighting the proposed legislation as discussed with you.

We presume that we will receive copy and plate for the advertisement through the usual channels and we are enclosing invoice, which please send to your accounting department.

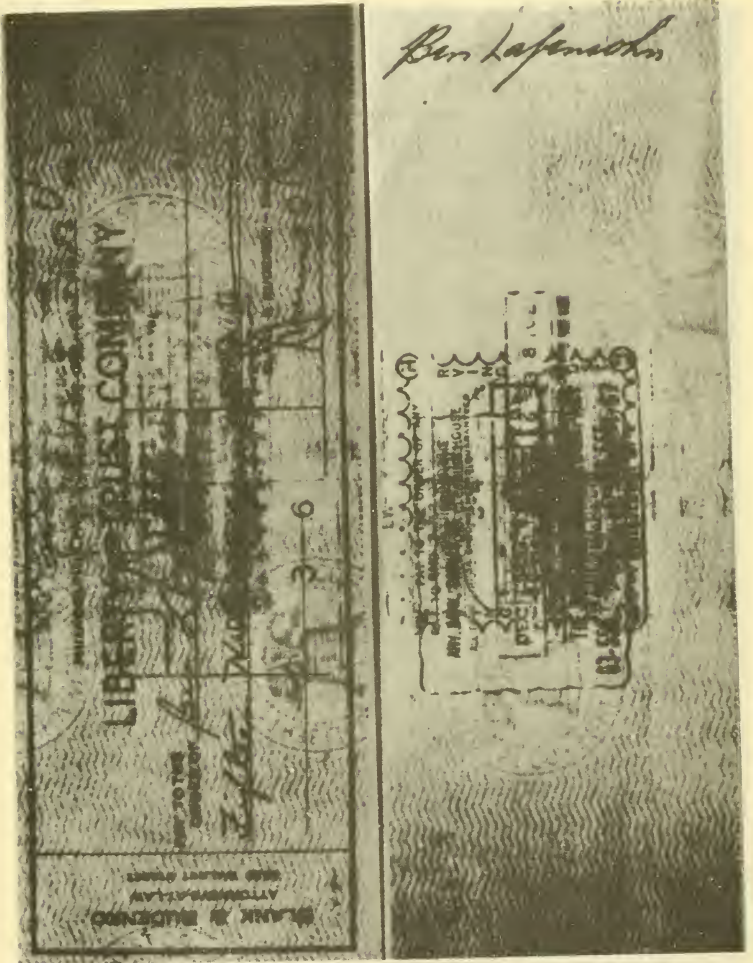
With kindest personal regards, I remain

Cordially yours,

George Mason

EWL
enc.

EXHIBIT No. 54A



PHILADELPHIA, PA. 3-15 1854 No. F 2037

BROAD STREET TRUST COMPANY

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3000⁰⁰ / 100

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BLANK & RUDENKO, ATTORNEYS AT LAW

James G. Henry

1529 WALNUT STREET

BLANK & RUDENKO
ATTORNEYS-AT-LAW
1529 WALNUT STREET

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BROAD STREET TRUST CO.
PHILADELPHIA, PA.
76 FRANK W. BROWN, TREAS. 3-176

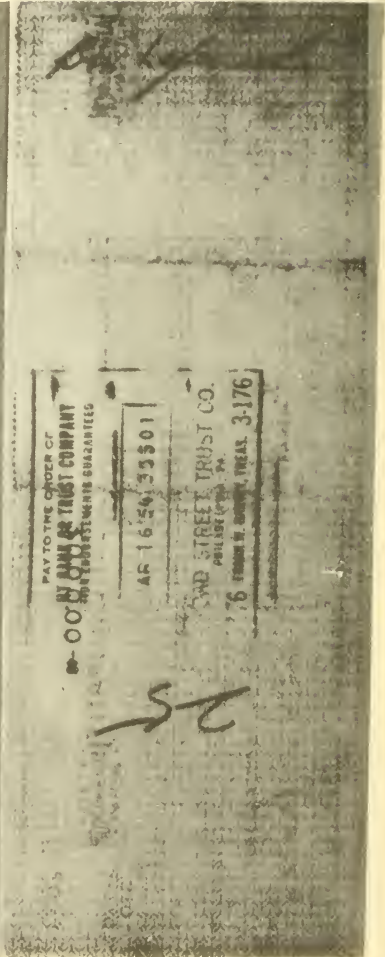


EXHIBIT No. 56

OFFER
FOOD FAIR STORES, INC.
OFFERING OF FOOD FAIR PROPERTIES, INC. - BONDS AND STOCK IN SEPT. & OCT. 1955
 (Food Fair Properties, Inc., is an affiliate and subsidiary of Food Fair
 Stores, Inc., and Management of both is the same.)

DEBENTURE BONDS

- 1) \$7,691,250.; 20 year; 5½% bonds.
- 2) Offered in package "units" consisting of one \$50 bond, plus 11 shares of common stock (grates) to be sold for \$50 per unit.
- 3) Offered first to owners and holders of Food Fair Stores, Inc., stock through the medium of issuing "stock rights" to these owners.
- 4) The \$50 "units" sold at a premium immediately in the open stock market, and the price ranged between \$70 and \$95.
- 5) A total of 136,000 "rights" covering purchase of \$340,000 in bonds were given as a gift, without consideration by Samuel Friedland and family, who were owners of Food Fair Stores stock, to 20 friends, relatives, associates, and Labor officials who did not own stock.

6) At the time of the gift, on or about 9/29/55, each right had an actual value of between 75¢ and \$1.00.

7) Four Labor officials, with whom Food Fair Stores officials negotiate Union contracts were given a gift of 12,000 "rights" worth approximately \$9,000. Arrangements were made through Louis Stein.

8) The four Labor officials, or their representatives, used the "stock rights" to purchase bonds for \$30,000 which were then worth about \$42,000 in the stock market.

COMMON STOCK

- 1) 650,000 shares of common stock sold by the underwriting firm at \$1.00 per share.
- 2) A "preferred list" of purchasers was submitted by Louis Stein, President of Food Fair, to the underwriting firm.
- 3) At time this "preferred list" was submitted by Louis Stein, the total issue of 650,000 was oversubscribed on the records of the underwriter, thereby making the securities difficult to obtain.
- 4) Part of this "preferred list" contains the names of 20 Labor officials, or their relatives, with whom Food Fair Stores' officials negotiate union contracts.
- 5) These 20 Labor officials or their relatives were permitted to purchase 12,100 shares of stock at \$1. a share for \$12,100, at a time when this stock was difficult to obtain and was worth about \$4. a share, or a total of about \$48,400.

PHILADELPHIA, PA. 9/23/55 2315

BROAD STREET TRUST COMPANY

3-176
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TO THE ORDER OF *Jack Thorne*

Two thousand

310 BROAD STREET
BROAD STREET TRUST COMPANY
PHILADELPHIA, PA.

80 DOLLARS

Ben Laperne

BEN LAPERNE
LEATHER S. LAPERNE

*For deposit only
Jan. Thorne*

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PHILADELPHIA, PA. June 27, 1955 NO. M 53992

PAY TO THE
ORDER OF Samuel P. Mandell

\$ 10,000.00

100 DOLLARS

BROAD STREET TRUST COMPANY

TREASURER'S CHECK

Samuel P. Mandell

AUTHORIZED SIGNATURE

CENTRAL - PENN NATIONAL BANK

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JUN 27 1955

*Samuel P. Mandell
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